ANNUAL REPORT

OF THE

BOARD OF DIRECTORS

OF

THE CENTRAL RAILROAD COMPANY OF NEW JERSEY

TO THE

BOND AND STOCK HOLDERS

FOR THE YEAR
ENDED
DECEMBER 31, 1939

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THE CENTRAL RAILROAD COMPANY OF NEW JERSEY

SHELTON PITNEY AND WALTER P. GARDNER, TRUSTEES

OFFICERS OF THE TRUSTEES

EDWARD W. SCHEER	Chief Executive Officer
REVELLE W. BROWN	Vice-President in Charge of Operation and Maintenance
CHARLES L. EWING	Vice-President in Charge of Freight Traffic
CHARLES A. GILL	General Manager
CHARLES E. MILLER	General Attorney
ALEXANDER H. ELDER	General Solicitor
WILLIAM KOHLER	Secretary and Treasurer
FRANK M. SNYDER	Comptroller
WALTER V. SHIPLEY	Passenger Traffic Manager
DON Y. SMITH	General Freight Traffic Manager
MATTHEW L. McELHENY	General Superintendent
ARTHUR E. OWEN	Chief Engineer
ALEXANDER K. GALLOWAY	Superintendent Motive Power and Rolling Equipment
WILLARD W. JAMES	Real Estate and Tax Agent and Valuation Engineer
WESLEY A. CLEM	Purchasing Agent

MAY 16 1940 D GIFT REQUEST

GENERAL OFFICES OF THE TRUSTEES
Terminal Building, Jersey City, N. J.

THE CENTRAL RAILROAD COMPANY OF NEW JERSEY

DIRECTORS

WILLIAM G. BESLER, Chairman of the Board

GOLDTHWAITE H. DORR
WILLIAM V. GRIFFIN
HOWARD W. MAXWELL
THEODORE W. REATH
EDWARD W. SCHEER
GEORGE M. SHRIVER
ROY B. WHITE
FREDERICK E. WILLIAMSON

EXECUTIVE COMMITTEE

GEORGE M. SHRIVER, Chairman

WILLIAM G. BESLER
GOLDTHWAITE H. DORR
THEODORE W. REATH
EDWARD W. SCHEER
ROY B. WHITE
FREDERICK E. WILLIAMSON

OFFICERS

EDWARD W. SCHEER, President	New York, N. Y.
REVELLE W. BROWN, Vice-President in Charge of Operation and Maintenance	Philadelphia, Pa.
CHARLES L. EWING, Vice-President in Charge of Freight Traffic	New York, N. Y.
CHARLES A. GILL, General Manager	Reading, Pa.
CHARLES E. MILLER, General Attorney	New York, N. Y.
ALEXANDER H. ELDER, General Solicitor	New York, N. Y.
WILLIAM KOHLER, Secretary and Treasurer	New York, N. Y.
FRANK M. SNYDER, Comptroller	Jersey City, N. J.

GENERAL OFFICES, CENTRAL BUILDING,
143 Liberty St., New York, N. Y.

REGISTRAR OF TRANSFERS

Central Hanover Bank and Trust Co., 70 Broadway, New York, N. Y.

1939

THE CENTRAL RAILROAD COMPANY OF NEW JERSEY

ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1939

New York, N. Y., April 26, 1940

TO THE BOND AND STOCK HOLDERS OF THE CENTRAL RAILROAD COMPANY OF NEW JERSEY:

The Board of Directors submits the following report of the affairs of The Central Railroad Company of New Jersey for the year ended December 31, 1939:

On October 30, 1939, a petition was filed on behalf of The Central Railroad Company of New Jersey, under Section 77 of the Bankruptcy Act, in the United States District Court for the District of New Jersey, which petition was approved by the Honorable Guy L. Fake, District Judge, on the same day. On November 28, 1939, Judge Fake appointed Shelton Pitney and Walter P. Gardner, Trustees. Their appointment was ratified by the Interstate Commerce Commission on January 4, 1940, and the Trustees filed their bonds and took title to and control of the property on January 8, 1940.

This report covers the operations of the property for the entire calendar year ended December 31, 1939. It is made in order to preserve the continuity of the annual records for comparative purposes.

	1939	1938	Increase or Decrease	
Average miles of road operated	710.74	709.73	1.01	
Receipts from the transportation of anthracite and bituminous coal, merchandise, passengers, etc.	$33,547,419	$29,251,620	$4,295,799	
Cost of operating the railroad and maintaining the property	24,363,838	21,720,016	2,643,822	
Net Revenues	$ 9,183,581	$ 7,531,604	$1,651,977	
*Federal, State and other taxes	5,034,883	5,382,035		$347,152
Payments to other companies in excess of receipts from such companies for hire of equipment and use of joint facilities	2,205,394	1,890,425	314,969	
Net Railway Operating Income	$ 1,943,304	$ 259,144	$1,684,160	
Income from investments in securities, property rentals and other items	934,309	919,150	15,159	
Miscellaneous income deductions	591,781	588,854	2,927	
Income available for fixed charges	$ 2,285,832	$ 589,440	$1,696,392	
Fixed charges—interest on funded debt, rentals paid for leased railroads, etc.	4,862,874	4,854,265	8,609	
Deficit after fixed charges	$ 2,577,042	$ 4,264,825		$1,687,783
Percentage of each dollar of operating revenue consumed by operating expenses	72.63%	74.25%		1.62%
Rate of return on investment in property used for transportation service	1.03%	0.14%	.89%	
Times fixed charges earned	.47	.12	.35	

*** See Explanatory note, Page 7.**

A statement in detail of the Income Account appears on Page 16.

GENERAL REMARKS

The continued severe recession in business during the closing months of the year 1938 and the earlier months of 1939, gave cause for serious concern, as the financial stress, which was becoming more burdensome could not be met with economy measures.

Early in the year, the situation was brought to the attention of this Board, and after due consideration, the following communications were mailed to Bondholders and the New York Stock Exchange:

March 17, 1939

TO THE HOLDERS OF THE GENERAL MORTGAGE BONDS OF
THE CENTRAL RAILROAD COMPANY OF NEW JERSEY:

The quarterly installment of interest, due April 1, 1939, on the registered General Mortgage Bonds of The Central Railroad Company of New Jersey, will not be paid on that date for the reasons following:

In each of the years from 1932 to 1938, both inclusive, the Company has failed by a very large margin to earn its fixed charges. The deficit after fixed charges in the year 1938 amounted to $4,264,825 and the total deficit for the above period has aggregated $17,351,081.

The principal causes of these continuing net income deficits have been, first, the drastic decline in railway operating revenues attributable to the general depression in business which has existed during the period and to the unsatisfactory conditions which have prevailed with increasing intensity in the anthracite coal industry upon which the Company has been dependent for a large amount of its traffic; second, the increases in costs of operation due to increased costs of labor and materials and the imposition of social security and other similar taxes; and third, the burden of the extraordinarily high property taxes, State and local aggregating over the period in question $33,306,852 assessed upon the property of the Company in the State of New Jersey.

The Company, together with certain of the other railroad companies owning and operating lines of railroad in the State of New Jersey, has contested the propriety of the assessments for property taxes assessed by the State of New Jersey for the years 1932 to 1938, both inclusive. The Company has accrued for these years the full amount of the total State taxes so assessed and has paid, in respect of these years, in the aggregate $15,227,494 or 56.6% of the total assessment. The remainder of such taxes assessed by the State but unpaid amounts to $11,674,143. In addition to contesting the property taxes assessed by the State, the Company has been contesting local assessments of which an aggregate of $4,065,855, has been paid and an aggregate of $2,339,360 remains unpaid.

On March 13, 1939, the Supreme Court of the United States denied the Company's application for a review of the adverse decisions of the lower Federal Courts in respect of the taxes assessed by the State of New Jersey for the years 1932 and 1933. The cases covering the other years are pending in varying stages of advancement in the Federal District Court for New Jersey or before the New Jersey State Board of Tax Appeals.

It is clear that, in the absence of a substantial reduction of its tax burden and a material adjustment of its fixed charges, the Company cannot avoid court reorganization. Indeed, should the State of New Jersey attempt to collect the assessed but unpaid taxes for the two years 1932–1933 involved in the decision of the Supreme Court of the United States referred to above, the Company would seem to have no recourse but to seek the protection of the courts.

In addition to these legal proceedings, negotiations in regard to taxes for some time have been and are now in progress between the railroads concerned in this litigation and officials of the State of New Jersey. No conclusion has as yet been reached but it is hoped that some solution may still be found which will afford the Company a substantial measure of relief both in respect of the assessed and accrued, but unpaid, taxes for the past years in question and in respect of property tax assessments for future years.

In the hope that its efforts to obtain such tax relief will be productive, discussions with a group of holders of large amounts of the General Mortgage Bonds and with other fixed charge creditors for some time have been and are now also in progress concerning the possibility of a voluntary adjustment of the Company's fixed charges. The Company is of the opinion, and believes that the aforesaid holders of large amounts of the General Mortgage Bonds are also of the opinion, that it is preferable to attempt such a voluntary adjustment rather than to subject the situation to the delays and expenses of court reorganization, with the realization, however, that no such voluntary adjustment can be effective in the absence of a substantial tax reduction.

It is hoped that as a result of these discussions the Company will be in a position in the reasonably near future to present to the holders of the General Mortgage Bonds a plan for the adjustment of the interest obligation on these Bonds for a period at least sufficient to permit the future potentialities of the Company to become more clearly determinable, which will have the approval at the outset of the aforesaid holders and by means of which if the bondholders generally cooperate and if the State tax problems and other problems confronting the Company can also be solved, the necessity of court reorganization may be avoided.

THE CENTRAL RAILROAD COMPANY OF NEW JERSEY

(Signed) By E. W. Scheer,
President.

April 20, 1939

TO THE HOLDERS OF THE GENERAL MORTGAGE BONDS OF
THE CENTRAL RAILROAD COMPANY OF NEW JERSEY:

Referring to the Company's earlier communication dated March 17, 1939, this is to advise you that discussion looking to the formulation of a plan of adjustment in respect of the above bonds are proceeding with the group of bondholders referred to in that communication, whose spokesmen are Messrs. Harry C. Haggerty, Treasurer, Metropolitan Life Insurance Company, New York, N. Y., Alfred H. Meyers, Treasurer, New York Life Insurance Company, New York, N. Y., Milo W. Wilder, Jr., Treasurer, Mutual Benefit Life Insurance Company, Newark, N. J., August Ihlefeld, Jr., President, Savings Bank Trust Company, New York, N. Y., Walter H. Bennett, Chairman, Emigrant Industrial Savings Bank, New York, N. Y., and Earl B. Schwulst, First Vice President, Bowery Savings Bank, New York, N. Y. The Company hopes that a conclusion may be reached in the near future as to the provisions of a plan of adjustment to be proposed to all bondholders, by which if the tax uncertainties referred to in such earlier communication are satisfactorily resolved, the necessity of court reorganization may be avoided.

THE CENTRAL RAILROAD COMPANY OF NEW JERSEY

(Signed) By E. W. Scheer,
President.

June 15, 1939

NEW YORK STOCK EXCHANGE,
11 Wall Street,
New York, N. Y.

Attention: Committee on Stock List

Dear Sirs:

This will advise you, in conformity with the rules of the Stock Exchange, that the quarterly interest, due July 1, 1939, on the registered General Mortgage Bonds, and the semi-annual interest, due July 1, 1939, on the coupon General Mortgage Bonds, of The Central Railroad Company of New Jersey will not be paid on that date.

You will recall that by letter, dated March 17, 1939, I advised you that the quarterly interest, due April 1, 1939, on the registered General Mortgage Bonds of said Company would not be paid on that date.

Yours very truly,

(Signed) by E. W. Scheer,
President.

Following these advices, several conferences were arranged with the Bondholders representatives referred to, at which certain proposals were submitted in the form of a plan for the adjustment of interest on bonds, with other possible changes in fixed charges.

The progress made, as the result of conferences led to the filing of an application with the Interstate Commerce Commission for a hearing on a proposed plan for the voluntary modification of the interest charges on the General Mortgage Bonds. This plan also included the probability of a satisfactory settlement of the tax problem.

On October 20, 1939, the State of New Jersey served notice that the Attorney General of the State would apply to the State Supreme Court on November 2, 1939, for a summary judgment for the unpaid taxes for the years 1932 and 1933. Efforts to secure a postponement of this application were unsuccessful, and on October 30, 1939, the Company filed a petition with the United States District Court for the District of New Jersey for reorganization under Section 77 of the National Bankruptcy Act. On the same day the application was approved and the property of the Company was taken over by the Court.

The Company then withdrew the application to the Interstate Commerce Commission for approval of its voluntary plan for modifying interest charges.

Revenues: Railway operating revenues during the year 1939, were $33,547,419, or $4,295,799 more than for the year 1938; an increase of 14 per cent. Of this increase, $2,283,402 was from the transportation of merchandise and $1,900,950 was from coal. To a large extent the improvement was due to the effect of war conditions prevailing during the closing four months of the year.

Expenses: Railway operating expenses amounted to $24,363,838, an increase of $2,643,822, or 12 per cent. The ratio of operating expenses to revenues was 72.63 per cent. as compared with 74.25 per cent. for 1938

Taxes: Railway Tax Accruals in the amount of $5,034,883 show a decrease of $347,152, or 6 per cent. below accruals for the year 1938, and was occasioned mainly by a reduction in the New Jersey State Tax assessment.

The State of New Jersey tax litigation, covering the years 1932 to 1936, inclusive, referred to in the previous Annual Report, was not brought to a conclusion during the year.

On March 13, 1939, the United States Supreme Court denied a petition for a writ of certiorari to review a decision of the Circuit Court of Appeals for the Third Circuit affirming decisions by the United States District Court for the District of New Jersey denying injunctions to restrain the State of New Jersey from collecting the unpaid portion of the taxes assessed against the Company for the years 1932 and 1933. The unpaid taxes for the year 1932 amounted to $2,070,607.32 and for the year 1933 $1,908,577.62.

On April 17, 1939, the United States Supreme Court denied an application for a rehearing of the application for a writ of certiorari.

In addition to the unpaid taxes assessed against the Company for the years 1932 and 1933 above referred to, there were amounts of unpaid taxes assessed against it for the years 1934, 1935, 1936, 1937 and 1938, aggregating $7,671,896.92, and on December 1, 1939, taxes assessed by the State of New Jersey for the year 1939 amounting to $3,415,922.05 became due, on which $2,049,553.23 was paid, leaving $1,366,368.82 unpaid for that year.

On November 1, 1939, Judge Forman, of the United States District Court for the District of New Jersey, handed down a decision in which he ruled that the railroads were entitled to an injunction restraining the State from collecting more than 60 per cent of the taxes levied for the years 1934, 1935 and 1936 unless and until the taxing authorities of New Jersey re-valued the property. On January 25, 1940, Judge Forman entered a decree restraining the collection of more than 70 per cent of the taxes as assessed, unless and until the taxing authorities re-valued the property.

An appeal is now before the Board of Tax Appeals of that State, with respect to the taxes levied for the years 1937, 1938 and 1939.

Taxes under the Railroad Retirement Act in 1939 amounted to $468,894, exceeding those for 1938 by $14,740.

Taxes account of Railroad Unemployment Insurance amounted to $503,906, exceeding similar taxes for the year 1938 by $25,027.

OTHER INCOME ITEMS: Charges for hire of equipment for the year 1939 amounted to $2,142,703, an increase of $279,757 over 1938, due to the unbalanced movement of loaded cars received from connections versus cars required for originated tonnage.

The net railway operating income for the year was $1,943,304, or $1,684,160 more than for the previous year.

Income from all other sources, including rents, dividends and interest, shows a net increase in comparison with 1938, of $15,159.

Gross Income was $2,877,613, an increase of $1,699,319. Charges to Gross Income for rents, miscellaneous taxes, interest on funded and unfunded debt, and other miscellaneous charges amounted to $5,454,655, resulting in a deficit of $2,577,042, which was charged to the Company's accumulated surplus. This deficit was after a charge of $1,402,546 to operating expenses for depreciation of equipment, which charge, while reflecting a depletion of fixed property, entails no cash outlay.

BALANCE SHEET: The general balance sheet of the Company as of the close of the year 1939 is shown on pages 13 and 14.

Investments in road and equipment total $148,312,351, compared with $147,672,068 for the year 1938, an increase of $640,283, and represents principally the investment of $626,263 for ten Diesel switching engines four of which were received in December, 1938, and six received during the forepart of 1939.

Current assets aggregate $9,319,694, an increase of $1,760,118, compared with the year 1938.

Current liabilities aggregate $6,262,979, and includes $2,406,826 covering interest matured and unpaid, of which $2,391,200, represents interest on General Mortgage Bonds accrued during year 1939, payment withheld, as referred to in letters of advice dated March 17, and June 15, 1939.

Other Deferred Liabilities aggregate $959,080.90, an increase of $691,940.09, due to the inclusion therein of the purchase price of ten Diesel switching engines referred to in the explanation of Investment in Road and Equipment above, on which there is a liability of $553,765.67, as of December 31, 1939.

Under caption "Unadjusted Credits" Tax Liability is stated as $15,539,069, and in the main represents taxes in litigation, or accruals not due or payable until 1940.

During 1939, equipment trust obligations were reduced by payments of $400,000. The balance of this class of debt, $800,000 outstanding as of December 31, 1939, will mature serially each year and be fully retired by August 1, 1941.

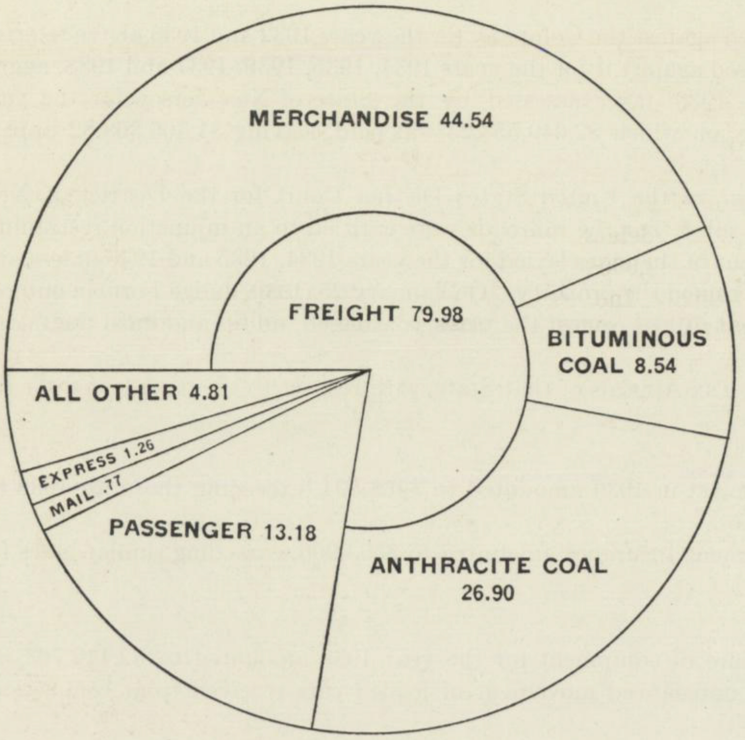
The following charts indicate the source and disposition of the Company's operating income for the year 1939.

1939

THE CENTRAL RAILROAD COMPANY OF NEW JERSEY

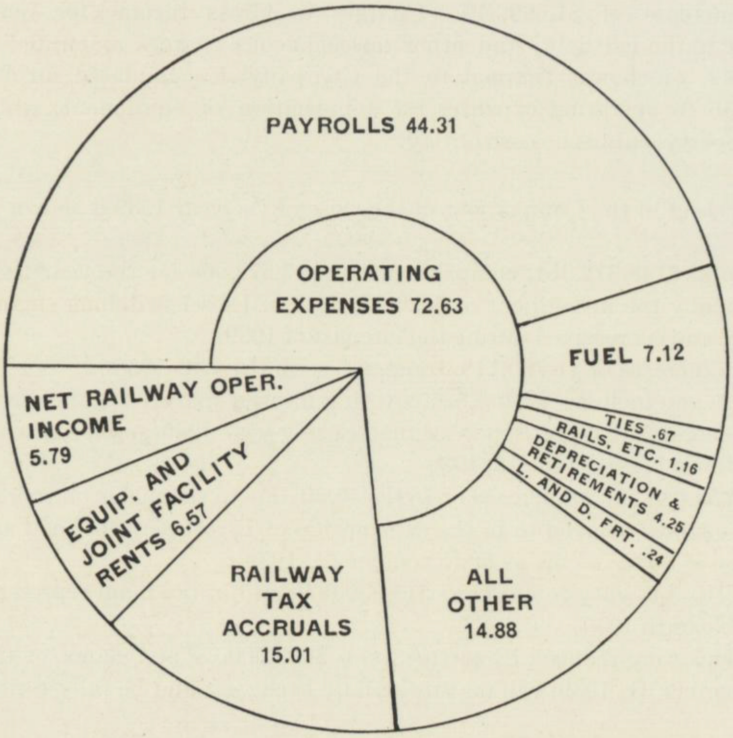
THE SOURCE AND DISPOSITION OF THE RAILROAD DOLLAR

SOURCE



Operating Revenues	Amount	Cents
Freight:		
Anthracite Coal	$ 9,023,750	26.90
Bituminous Coal	2,865,200	8.54
Merchandise	14,942,824	44.54
Total	$26,831,774	79.98
Passenger	4,420,788	13.18
Mail	257,588	.77
Express	424,583	1.26
All Other	1,612,686	4.81
Grand Total	$33,547,419	100.00

DISPOSITION



Operating Expenses	Amount	Cents
Payrolls (incl. pensions)	$14,863,605	44.31
Fuel	2,389,371	7.12
Ties	223,392	.67
Rails, Frogs and Switches	389,664	1.16
Depreciation and Retirements	1,425,878	4.25
Loss and Damage—Freight	80,425	.24
All other	4,991,503	14.88
Total	24,363,838	72.63
Railway Tax Accruals	5,034,883	15.01
Equip. and Jt. Fac. Rents	2,205,394	6.57
Net Railway Operating Income to Apply on Fixed Charges, etc.	1,943,304	5.79
Grand Total	$33,547,419	100.00

RAILROAD CREDIT CORPORATION: The balance of $220,301 due the Company and referred to in report for the year 1938, has been reduced during current year to $210,510, by distribution payments.

BAYONNE PORT TERMINAL, THE CENTRAL DISTRICT, INC.: You were advised in the report for the year 1938 of the construction and placing in service of a spur track to serve the newly constructed Bayonne ship to rail terminal constructed by the City of Bayonne and leased to The Central District, Inc.

By an agreement between your Company, the City and The Central District, Inc., your Company agreed to purchase over a three year period $500,000 of bonds of The Central District, Inc., but not more than $200,000 in any year, which bonds were deposited with the City of Bayonne as security for the payment of the rent under the lease from the City to The Central District, Inc.

On June 15, 1939, The Central District, Inc., defaulted in the payment of rent to the City amounting to $132,000. Thereupon your Company purchased $132,000 of the deposited bonds.

On December 15, 1939, The Central District, Inc., again defaulted in the payment of its rent and the City called upon your Company to purchase an additional $68,000 of these bonds.

As your Company had already filed its petition under Section 77 of the National Bankruptcy Act, no action was taken on the request of the City to purchase bonds on account of the default of December 15, 1939.

Your Company had from time to time advanced to The Central District, Inc., the sum of $94,462.58 for the purpose of furnishing it with funds to conduct its organization and operation. In return for these advances, your Company received an equivalent face amount of Central District's bonds and notes.

In January, 1940, the Trustees appointed in the Reorganization Proceedings petitioned the Court for instructions in regard to the Central District matter and on March 25, 1940, the Court ordered them to reject the contract under which your Company had agreed to purchase bonds deposited with the City as security for the rent. Shortly thereafter the City of Bayonne dispossessed the Central District, Inc. and is now operating the Terminal.

SUIT TO RELEASE LAND UNDER WATER LOCATED IN JERSEY CITY AND BAYONNE FROM THE GENERAL MORTGAGE: On January 4, 1939, this Company instituted a suit in the United States District Court for the Southern District of New York against the Central Hanover Bank and Trust Company, the Trustee under its General Mortgage, and certain holders of the bonds secured thereby, to secure the release from the lien of the Mortgage of two tracts of land located in Jersey City, N. J., and four tracts of land located in Bayonne, N. J., the area of which aggregates 574.313 acres. Unpaid taxes on these properties, accrued for the period 1932 to 1939 inclusive, amounted to approximately $1,700,000 and current taxes aggregated approximately $400,000 per year.

The suit came on to be heard on October 3 and 4, 1939, and resulted in findings by the Court that this property was not required for railroad purposes and that it would be for the benefit of the trust estate and of the Railroad Company to abandon all six parcels of land and thereby relieve the Company of any further obligation with respect to past due or future taxes.

The Court, accordingly, entered a decree on November 10, 1939, ordering the Central Hanover Bank & Trust Co., as Trustee, to release these properties from the lien of the mortgage. As this decree was entered in the United States District Court for the Southern District of New York after the institution of reorganization proceedings in the United States District Court for the District of New Jersey, any further action taken under the decree of the New York Court will have to have the approval of the New Jersey Court.

LEASE OF THE LEHIGH AND SUSQUEHANNA R. R. AND BRANCHES, LEHIGH COAL AND NAVIGATION CO. LESSORS: During the early part of the year 1939, the negotiations had for the purpose of securing a reduction in the rental of the lines in Pennsylvania leased from the Lehigh Coal & Navigation Company were continued but without success.

Early in 1939, the Lehigh Coal & Navigation Company delivered its statement of the tonnage mined from its lands and shipped therefrom as required by the agreement of June 4, 1926. This statement indicated that the Navigation Company had failed to comply with the routing provisions of the agreement of 1926 during the year 1938, and had continued during that year to route traffic in a way which your Company believed violated the agreement. Accordingly, pursuant to the provisions of the Agreement of 1926, your Company notified the Navigation Company that the agreement had been violated by the shipment of tonnage contrary to its provisions and that unless the matter was adjusted by agreement, it would be referred to arbitration in accordance with the provisions of the agreement.

The Navigation Company thereupon instituted a proceeding in the Court of Common Pleas of Carbon County, Pennsylvania, praying for a decree that the arbitration provisions of the 1926 agreement were null, void and unenforcible, that a judgment be entered declaring that your Company was without right to make any demands respecting diversions of tonnage for the years preceding 1938 and enjoining your Company from submitting to arbitration or from litigating in any other way alleged diversions of tonnage for the years preceding 1938.

The petition of the Navigation Company was based on the fact that the provisions of the contract for arbitration were unenforcible under the laws of Pennsylvania because the contract had been entered into before Pennsylvania had adopted the Uniform Arbitration Act.

An answer was filed, however, setting forth that since the contract of 1926 related to transactions in interstate commerce, the arbitration provisions were valid and enforcible under the Federal Arbitration Act.

The Navigation Company then withdrew the proceeding in the State Court of Pennsylvania and instituted a new proceeding in the United States District Court for the Eastern District of Pennsylvania under the Federal Declaratory Judgment Act praying for substantially the same relief as was prayed for in the Pennsylvania case, but not controverting the enforcibility of the arbitration provisions of the agreement. The petition also prayed that the time within which the Navigation Company must appoint an arbitrator be tolled until a final decision was rendered.

The Court entered an order tolling the time for the appointment of an arbitrator by the Navigation Company and your Company filed an answer and a petition to dismiss the proceeding. Your Company appointed an arbitrator and shortly after this was done an arbitrator representing the Navigation Company was appointed. Your Company's motion to dismiss the proceeding was denied on April 16, 1940, so the Court will have to pass on the merits of the application of the Navigation Company. Because of this and because of the filing of the petition under Section 77 of the Bankruptcy Act no further action in the arbitration proceeding has been taken.

Order No. 1 in the reorganization proceeding specifically provided that your Company should make no payment in respect of its occupation or use of the Lehigh and Susquehanna Railroad and Branches or of the Wilkes-Barre and Scranton Railroad, leased directly or indirectly from the Navigation Company, without the further order of the Court. By a stipulation entered into between the Trustees of this Company's property and the Navigation Company, which stipulation was approved on March 11, 1940, by the Court in which the Reorganization Proceedings are pending, it was agreed that the Trustees for the use and occupation of the properties covered by the Lehigh and Susquehanna lease would pay the Navigation Company $425,000 at once and a further sum of $425,000 on April 1, 1940. It was further agreed that the Trustees would pay the unpaid rental due under the assignment of the Wilkes-Barre and Scranton Railway lease amounting to $22,206.16 together with the taxes due December 15, 1939, and that on the 15th day of the months of March, April, May and June the Trustees would pay the monthly rental of $5,550.54 due under this assignment together with taxes due on March 15 and June 15, 1940.

ADDITIONS, BETTERMENTS AND IMPROVEMENTS: Completed or under way during the year were as follows:

West Carteret, N. J.—Roosevelt Avenue crossing at grade of the Elizabethport and Perth Amboy Branch will be eliminated by the construction of a highway overpass. Work was started December 4, 1939, and is scheduled for completion June, 1940. The total estimated cost is $142,000, of which $4,800, representing 50 per cent. of the cost of the land will be borne by the Railroad Company, and the balance will be paid by the State of New Jersey in part from funds allotted to it by the Federal Government.

INDUSTRIAL DEVELOPMENT: New Industries with Side Track Service—1939:

	No. of Industries	Estimated Annual Business
Producing and manufacturing	8	760 cars
Storage and distribution	5	240 cars
Coal yards	4	370 cars
Jobbing	1	10 cars
Scrap iron yards	1	150 cars
Total	19	1,530 cars

Equipment, Arch-Bar Trucks: On May 26, 1939, the Association of American Railroads extended the effective date of its Rule in this matter to December 31, 1939, after which date interchange, by owners with other lines, of cars equipped with arch-bar trucks is not permissible.

During the year the Central Railroad Company of New Jersey installed cast steel side frame trucks on 105 additional cars in substitution for arch-bar trucks, which completes the program.

Equipment for Cement Trade: To accommodate the cement industry, plans were prepared for the construction of fifty, 70-ton bulk cement hopper cars. With the approval of the Board, arrangements were made for this work to be done at the Reading shops at an approximate cost of $147,000. Upon completion of this construction the Company will have ninety cars available to handle this class of traffic. In 1939, cement contributed 1,000,280 tons to the Company's revenue business. Two portable cement unloaders were purchased and three barges converted to handle bulk cement at Jersey City, N. J.

Other Improvements: Installation of improved blow-off cocks and piping on 40 additional locomotives to permit more efficient operation.

Installation of Ajax hand brakes on 1017 additional freight cars.

Installation of power reverse gears on 33 locomotives under order of the Interstate Commerce Commission in Docket No. 24050.

To comply with order of the United States Bureau of Marine Inspection and Navigation, sliding watertight doors to steel bulkhead between engine room and boiler room were installed on ten ferryboats and Steamer Sandy Hook. Steel bulkheads were installed between engine room and boiler room on six ferryboats and Steamer Sandy Hook. Auxiliary lighting was installed on main and upper decks of ten ferryboats.

Track Improvements: There were laid in replacement during the year:

104,044	Cross ties
812,815	Board feet of switch and bridge ties
17,690	Cubic yards of stone ballast
13.72	Miles of main track with new steel rails
.46	Miles of side track with new steel rails
9.35	Miles of main track with second hand rails
8.62	Miles of side track with second hand rails

Track Cleaning: During the year ballast cleaning was accomplished on 113.85 miles of track between Raritan, N. J., and Jersey City, N. J., by the Speno ballast cleaning method, as follows:

Shoulder cleaning	210,547 lineal feet or	39.87 miles
Center ditch cleaning	390,699 lineal feet or	73.98 miles
Total	601,246 lineal feet or	113.85 miles

Equipment Retirements: During the year there was retired from service the following equipment with a ledger value of $92,723.35:

Freight train cars	3
Units of floating equipment	2
Units of other equipment	1

Under the regulations of the Interstate Commerce Commission, effective January 1, 1935, expenses are charged with the depreciation of equipment at rates approved by the Commission, which for your Company were equivalent to a composite rate of 3.04 per cent. The ledger value of equipment retired, after charging to appropriate accounts the salvage realized therefrom, was $78,752.01, debited to account "Accrued Depreciation-Equipment."

The officers and employes are commended for the loyal and efficient services rendered during the past year. The Board also acknowledges with grateful appreciation the cooperation of the holders of the Company's securities, as well as the support received from its patrons.

Appended will be found balance sheet as of December 31, 1939, and various other informative statements.

For the Board of Directors,

EDWARD W. SCHEER,
President.

THE CENTRAL RAILROAD COMPANY OF NEW JERSEY

GENERAL BALANCE SHEET

DECEMBER 31, 1939, COMPARED WITH DECEMBER 31, 1938

Assets	December 31, 1939	December 31, 1938	Increase	Decrease
Investments:				
Road	$ 96,013,881.91	$ 95,980,319.41	$ 33,562.50	
Equipment	52,298,469.26	51,691,748.98	606,720.28	
Total	$148,312,351.17	$147,672,068.39	$ 640,282.78	
Improvements on Leased Railway Property	$ 14,096,599.49	$ 14,066,189.63	$ 30,409.86	
Miscellaneous Physical Property	3,170,615.96	3,169,415.82	1,200.14	
Investments in Affiliated Companies,				
Stocks	4,719,060.48	4,719,060.48		
Bonds	5,007,021.44	5,007,021.44		
Advances	5,659,869.26	5,759,571.42		$ 99,702.16
Notes and Mortgages	740,000.00	740,000.00		
Other Investments,				
Stocks	1,647,160.31	1,646,412.69	747.62	
Bonds	2,568,949.02	2,441,000.52	127,948.50	
Notes	73,037.40	28,019.99	45,017.41	
Miscellaneous	325.00	325.00		
Total	$ 37,682,638.36	$ 37,577,016.99	$ 105,621.37	
Current Assets:				
Cash	$ 5,036,109.10	$ 3,447,001.53	$1,589,107.57	
Time Deposit				
Special Deposits	104,249.49	120,643.17		$16,393.68
Loans and Bills Receivable	16,028.65	9,798.84	6,229.81	
Traffic and Car Service Balances Receivable	1,113,813.48	840,015.63	273,797.85	
Net Balance Receivable from Agents and Conductors	420,978.23	322,565.30	98,412.93	
Miscellaneous Accounts Receivable	1,094,401.37	1,167,377.32		72,975.95
Material and Supplies	1,382,876.02	1,487,424.05		104,548.03
Interest and Dividends Receivable	112,792.09	113,343.22		551.13
Other Current Assets	38,445.89	51,406.99		12,961.10
Total	$ 9,319,694.32	$ 7,559,576.05	$1,760,118.27	
Deferred Assets:				
Working Fund Advances	$ 109,834.42	$ 109,734.42	$ 100.00	
Insurance and Other Funds	630,912.66	613,380.29	17,532.37	
Other Deferred Assets	356,595.20	335,515.06	21,080.14	
Total	$ 1,097,342.28	$ 1,058,629.77	$ 38,712.51	
Unadjusted Debits:				
Rents and Insurance Premiums Paid in Advance	$ 54,620.95	$ 63,596.76		$ 8,975.81
Other Unadjusted Debits	1,750,894.91	1,390,013.08	$ 360,881.83	
Securities Issued or Assumed—Unpledged	1,174,000.00	1,174,000.00		
Total	$ 2,979,515.86	$ 2,627,609.84	$ 351,906.02	
Grand Total	$199,391,541.99	$196,494,901.04	$2,896,640.95	

1939

THE CENTRAL RAILROAD COMPANY OF NEW JERSEY

GENERAL BALANCE SHEET

DECEMBER 31, 1939, COMPARED WITH DECEMBER 31, 1938

Liabilities	December 31, 1939	December 31, 1938	Increase	Decrease
Stock:				
Capital Stock,				
Common—Authorized............$30,000,000.00				
Not Issued............ 2,563,200.00				
Outstanding........................	$ 27,436,800.00	$ 27,436,800.00		
Governmental Grants:				
Grants in Aid of Construction..................	$ 88,323.97		$ 88,323.97	
Long Term Debt:				
Funded Debt Unmatured:				
Equipment Obligations with Public...............	$ 800,000.00	$ 1,200,000.00		$ 400,000.00
Mortgage Bonds in Co's Treasury...............	1,267,000.00	1,267,000.00		
Mortgage Bonds with Public.....................	48,731,000.00	48,731,000.00		
Total....................................	$ 50,798,000.00	$ 51,198,000.00		$ 400,000.00
Current Liabilities:				
Traffic and Car Service Balances Payable...........	$ 1,550,116.68	$ 1,333,854.37	$ 216,262.31	
Audited Accounts and Wages Payable.............	1,823,527.70	1,959,483.40		$ 135,955.70
Miscellaneous Accounts Payable....................	275,018.45	158,241.37	116,777.08	
Interest Matured Unpaid.........................	2,406,826.25	867,126.25	1,539,700.00	
Dividends Matured Unpaid........................	49,324.50	49,324.50		
Funded Debt Matured Unpaid.....................	6,551.60	6,551.60		
Unmatured Interest Accrued.......................	15,000.00	22,500.00		7,500.00
Unmatured Rents Accrued........................	4,441.87	4,441.87		
Other Current Liabilities.........................	132,171.70	79,921.42	52,250.28	
Total....................................	$ 6,262,978.75	$ 4,481,444.78	$1,781,533.97	
Deferred Liabilities:				
Other Deferred Liabilities........................	$ 959,080.90	$ 267,140.81	$ 691,940.09	
Unadjusted Credits:				
Tax Liability.....................................	$ 15,539,069.38	$ 13,648,962.56	$1,890,106.82	
Premium on Funded Debt..........................	2,461.22	3,691.83		$ 1,230.61
Insurance and Casualty Reserves...................	607,349.75	589,983.80	17,365.95	
Accrued Depreciation—Equipment................	28,666,053.40	27,340,082.21	1,325,971.19	
Accrued Depreciation—Road......................	561,880.00	561,880.00		
Other Unadjusted Credits........................	1,010,727.22	743,511.72	267,215.50	
Total....................................	$ 46,387,540.97	$ 42,888,112.12	$3,499,428.85	
Corporate Surplus:				
Additions to Property through Income and Surplus:				
Investment in Road and Equipment.............	$ 54,789,624.76	$ 54,807,203.32		$ 17,578.56
Improvements on Leased Railway Property......	11,957,542.15	11,937,601.78	$ 19,940.37	
Investment in Miscellaneous Physical Property....	17,591.64	17,591.64		
Total Appropriated Surplus...................	$ 66,764,758.55	$ 66,762,396.74	$ 2,361.81	
Profit and Loss Credit Balance.................	$ 694,058.85	$ 3,461,006.59		$2,766,947.74
Total Corporate Surplus......................	$ 67,458,817.40	$ 70,223,403.33		$2,764,585.93
Grand Total............................	$199,391,541.99	$196,494,901.04	$2,896,640.95	

PROFIT AND LOSS

DECEMBER 31, 1939

Credit Balance December 31, 1938		$3,461,006.59
Credits from Retired Road and Equipment		10.00
Donations		6,687.80
Miscellaneous Credits		79,208.74
		$3,546,913.13
Less		
Debit Balance transferred from Income	$2,596,857.47	
Surplus Appropriated for Investment in Physical Property	50,017.87	
Debits from Retired Road and Equipment	184,085.03	
Miscellaneous Debits	21,893.91	$2,852,854.28
Credit Balance December 31, 1939		$ 694,058.85

1939

THE CENTRAL RAILROAD COMPANY OF NEW JERSEY

INCOME ACCOUNT

YEAR ENDED DECEMBER 31, 1939, COMPARED WITH PREVIOUS YEAR

	1939	1938	Increase	Decrease
Operating Revenues:				
Merchandise	$14,942,823.95	$12,659,421.98	$2,283,401.97	
Bituminous Coal	2,865,200.00	2,675,000.00	190,200.00	
Anthracite Coal	9,023,750.00	7,313,000.00	1,710,750.00	
Passenger	4,420,788.12	4,507,804.75		$ 87,016.63
Excess Baggage	662.97	554.22	108.75	
Parlor and Chair Car	13,028.12	13,009.11	19.01	
Mail	257,587.69	259,033.17		1,445.48
Express	424,583.39	319,487.11	105,096.28	
Other Passenger Train	66,356.69	66,927.70		571.01
Milk	11,145.12	11,843.72		698.60
Switching	73,485.31	44,620.54	28,864.77	
Water Transfers—Freight	9,384.97	10,063.92		678.95
Water Transfers—Passenger	65,266.21	67,315.21		2,049.00
Water Transfers—Vehicles and Live Stock	399,698.63	382,640.76	17,057.87	
Water Transfers—Other	11,993.46	14,372.71		2,379,25
Incidental	949,424.37	894,351.89	55,072.48	
Joint Facility	12,240.34	12,172.83	67.51	
Total	$33,547,419.34	$29,251,619.62	$4,295,799.72	
Operating Expenses:				
Maintenance of Way and Structures	$ 2,778,921.34	$ 1,866,022.59	$ 912,898.75	
Maintenance of Equipment	6,389,535.31	5,042,061.14	1,347,474.17	
Traffic	558,231.19	583,685.21		$ 25,454.02
Transportation	13,538,012.41	13,140,385.22	397,627.19	
Miscellaneous Operations	225,084.06	243,007.97		17,923.91
General	874,268.25	845,301.74	28,966.51	
Transportation for Investment—Credit	214.19	447.95	233.76	
Total	$24,363,838.37	$21,720,015.92	$2,643,822.45	
Net Revenue from Railway Operations	$ 9,183,580.97	$ 7,531,603.70	$1,651,977.27	
Charges to Net Revenues from Railway Operations:				
Railway Tax Accruals	$ 5,034,882.68	$ 5,382,035.46		$ 347,152.78
Hire of Equipment	2,142,703.10	1,862,946.41	$ 279,756.69	
Joint Facility Rents	62,690.71	27,478.36	35,212.35	
Total Charges to Net Revenues	$ 7,240,276.49	$ 7,272,460.23		$ 32,183.74
Net Railway Operating Income	$ 1,943,304.48	$ 259,143.47	$1,684,161.01	
Non-operating Income:				
Miscellaneous Rent Income	$ 303,888.00	$ 298,723.25	$ 5,164.75	
Dividend Income	232,904.50	206,904.62	25,999.88	
Income from Funded Securities	210,836.69	210,915.59		$ 78.90
Income from Unfunded Securities and Accounts	32,661.74	35,170.72		2,508.98
Release of Premiums on Funded Debt	1,230.61	1,230.61		
Total	$ 781,521.54	$ 752,944.79	$ 28,576.75	
Other Non-operating Income:				
Miscellaneous Non-operating Physical Property	$ 102,006.16	$ 110,477.05		$ 8,470.89
Separately Operated Properties—Profit	5,729.12	6,609.93		880.81
Income from Sinking and Other Reserve Funds	20,925.12	21,405.34		480.22
Miscellaneous Income	24,126.68	27,713.18		3,586.50
Total Other Income	$ 152,787.08	$ 166,205.50		$ 13,418.42
Total Non-operating Income	$ 934,308.62	$ 919,150.29	$ 15,158.33	
Gross Income	$ 2,877,613.10	$ 1,178,293.76	$1,699,319.34	
Deductions from Gross Income:				
Rent for Leased Roads	$ 2,401,591.86	$ 2,389,152.73	$ 12,439.13	
Miscellaneous Rents	346,539.50	338,935.89	7,603.61	
Miscellaneous Tax Accruals	217,377.02	216,750.31	626.71	
Separately Operated Properties—Loss	15,484.18	21,043.70		$ 5,559.52
Interest on Funded Debt	2,437,700.00	2,455,700.00		18,000.00
Interest on Unfunded Debt	23,582.34	9,412.90	14,169.44	
Maintenance of investment organization		257.93		257.93
Miscellaneous Income Charges	12,380.55	11,865.76	514.79	
Total Deductions from Gross Income	$ 5,454,655.45	$ 5,443,119.22	$ 11,536.23	
Net loss	$ 2,577,042.35	$ 4,264,825.46		$1,687,783.11
Disposition of Net Income:				
Income Applied to Sinking and Other Reserve Funds	$ 19,815.12	$ 20,295.34		$ 480.22
Debit Balance Transferred to Profit and Loss	$ 2,596,857.47	$ 4,285,120.80		$1,688,263.33

FUNDED DEBT UNMATURED DECEMBER 31, 1939

NAME OF SECURITY	Date of Issue	Date of Maturity	Total Amount Issued	Held by Company	Amount Actually Outstanding	INTEREST		
						Rate per Cent	Due	Charged to Income During the Year
MORTGAGE BONDS								
The Central R. R. Co. of New Jersey—Coupon	July 1, 1887	July 1, 1987	$17,665,000.00	$1,074,000.00	$16,591,000.00	5	Jan. and July	$ 829,550.00
The Central R. R. Co. of New Jersey—Registered	July 1, 1887	July 1, 1987	27,333,000.00	100,000.00	27,233,000.00	5	Jan., April, July and Oct.	1,361,650.00
The Central R. R. Co. of New Jersey—Coupon	Jan. 1, 1928	July 1, 1987	4,657,000.00		4,657,000.00	4	Jan. and July	186,280.00
The Central R. R. Co. of New Jersey—Registered	Jan. 1, 1928	July 1, 1987	343,000.00		343,000.00	4	Jan., April, July and Oct.	13,720.00
Total Mortgage Bonds................			$49,998,000.00	*$1,174,000.00	$48,824,000.00			$2,391,200.00
EQUIPMENT TRUST OBLIGATIONS								
The Central R. R. Co. of New Jersey Series 1926—First Lease..........................	Aug. 1, 1926	Aug. 1, 1941	$ 356,000.00		$ 356,000.00	4½	Feb. and Aug.	$ 20,692.50
The Central R. R. Co. of New Jersey Series 1926—Second Lease......................	Aug. 1, 1926	Aug. 1, 1941	152,000.00		152,000.00	4½	Feb. and Aug.	8,835.00
The Central R. R. Co. of New Jersey Series 1926—Third Lease........................	Aug. 1, 1926	Aug. 1, 1941	80,000.00		80,000.00	4½	Feb. and Aug.	4,650.00
The Central R. R. Co. of New Jersey Series 1926—Fourth Lease......................	Aug. 1, 1926	Aug. 1, 1941	212,000.00		212,000.00	4½	Feb. and Aug.	12,322.50
Total Equipment Trust Obligations.....			$ 800,000.00		$ 800,000.00			$ 46,500.00
Grand Total..................			$50,798,000.00	*$1,174,000.00	$49,624,000.00			$2,437,700.00

* Does not include $93,000.00 bonds held by Insurance Reserve Fund.

ACCRUED RENTAL FOR LEASED ROADS CHARGED TO INCOME

YEAR ENDED DECEMBER 31, 1939, COMPARED WITH PREVIOUS YEAR

NAME OF COMPANY	1939	1938	Increase	Decrease
Dover and Rockaway R. R. Co............................	$ 14,432.91	$ 12,656.51	$ 1,776.40	
Lehigh and Susquehanna R. R. Co.........................	2,279,124.17	2,279,109.87	14.30	
Ogden Mine R. R. Co..................................	30,303.72	25,892.49	4,411.23	
Wilkes-Barre and Scranton Ry. Co.........................	77,731.06	71,493.86	6,237.20	
Total..	$2,401,591.86	$2,389,152.73	$12,439.13	

THE CENTRAL RAILROAD COMPANY OF NEW JERSEY

INSURANCE RESERVE FUND

FOR YEAR ENDED DECEMBER 31, 1939

Cash on Hand, December 31, 1938		$17,863.18
RECEIPTS		
Contributions to Fund	–	
Interest and Dividends from Securities in Fund	$19,981.54	
Sale of Securities	–	
Miscellaneous	–	19,981.54
DISBURSEMENTS		$37,844.72
Fire and Marine Losses	$2,449.17	
Purchase of Securities	–	2,449.17
Cash on Hand, December 31, 1939		$35,395.55

ASSETS		LIABILITIES	
Cash	$ 35,395.55	Balance of Reserve, Dec. 31, 1939	$607,349.75
Securities	566,133.11		
Interest and Dividends Receivable	5,821.09		
Total	$607,349.75	Total	$607,349.75

SECURITIES	Par Value	Book Value
SECURITIES OF OTHER COMPANIES:		
Stocks:		
Ogden Mine R. R. Co.	$ 2,800.00	$ 1,891.96
Mahoning Coal R. R. Co.	1,500.00	23,300.00
Reading Co.	76,500.00	55,208.63
Bonds:		
Boston & Maine R. R. Co., 5% First Mortgage Gold Bonds, Series "11"	9,000.00	8,588.75
Buffalo, Rochester & Pittsburgh Ry. Co., 4½% Consolidated Mortgage Bonds	15,000.00	14,141.25
Chicago, Rock Island & Pacific Ry. Co., 3½% Certificates of Indebtedness	6,800.00	6,486.23
Chicago, Rock Island & Pacific Ry. Co., 4½% Gold Bonds, Series "A"	7,962.72	7,486.72
Erie R. R. Co., 4% Convertible Gold Bonds, Series "A"	5,000.00	4,078.75
Erie R. R. Co., 4% General Lien Gold Bonds	11,000.00	8,950.00
Erie R. R. Co., 5% Refunding and Improvement Mortgage Gold Bonds	3,000.00	2,797.50
Erie R. R. Co., 5% Refunding and Improvement Mortgage Gold Bonds	6,000.00	5,655.00
Federal Farm Mortgage Corp., 3¼% Bonds	13,600.00	13,653.29
Glen Alden Coal Co., 4% First Mortgage Gold Bonds	13,000.00	7,507.50
Hudson & Manhattan R. R. Co., 5% First Lien and Refunding Mortgage Bonds, Series "A"	10,000.00	10,047.50
Illinois Central R. R. Co., 4¾% Gold Bonds	11,000.00	10,768.00
Missouri Pacific R. R. Co., 4% General Mortgage Gold Bonds	10,000.00	7,938.50
Missouri Pacific R. R. Co., 5% First and Refunding Mortgage Gold Bonds, Series "F"	2,000.00	1,999.00
Morris & Essex R. R. Co., 5% Construction Mortgage Gold Bonds, Series "A"	10,000.00	10,350.00
New York Central R. R. Co., 4½% Refunding and Improvement Mortgage Gold Bonds, Series "A"	20,000.00	16,300.00
New York Central R. R. Co., 4% Consolidation Mortgage Gold Bonds, Series "A"	9,000.00	8,153.25
New York Central R. R. Co., 5% Refunding and Improvement Mortgage Gold Bonds, Series "C"	2,000.00	2,114.00
New York, New Haven & Hartford R. R. Co., 4½% First and Refunding Mortgage Gold Bonds.	10,000.00	9,186.25
New York, Susquehanna & Western R. R. Co., 5% General Mortgage Gold Bonds	5,000.00	3,560.00
New York, Chicago & St. Louis R. R. Co., 5½% Refunding Mortgage Gold Bonds, Series "A"	5,000.00	1,292.50
New York, Chicago & St. Louis R. R. Co., 4½% Refunding Mortgage Gold Bonds, Series "C"	3,000.00	667.50
Pennsylvania R. R. Co., 4½% Gold Debenture Bonds	10,000.00	9,540.00
Philadelphia & Reading Coal and Iron Co., 5% Refunding Mortgage Sinking Fund Gold Bonds	22,200.00	12,536.63
Reading Company, 4½% General and Refunding Mortgage Gold Bonds, Series "A"	51,000.00	40,697.50
Reading Company, 4½% General and Refunding Mortgage Gold Bonds, Series "B"	10,000.00	8,345.00
Southern Pacific Co., 4½% Gold Bonds	15,000.00	14,312.25
Southern Ry. Co., 4% Development and General Mortgage Gold Bonds, Series "A"	7,000.00	6,086.50
St. Louis and San Francisco Ry. Co., 4% Prior Lien Mortgage Gold Bonds, Series "A"	5,000.00	4,448.75
U. S. Government, 2⅞% Treasury Bonds	15,350.00	15,445.91
U. S. Government, 3% Treasury Bonds	23,400.00	23,238.55
U. S. Government, 3⅛% Treasury Bonds	58,300.00	59,153.44
U. S. Government, 3⅜% Treasury Bonds	17,000.00	17,293.75
Wabash Ry. Co., 5% Refunding and General Mortgage Gold Bonds, Series "D"	4,000.00	4,020.00
Wabash Ry. Co., 4½% Refunding and General Mortgage Gold Bonds, Series "C"	7,000.00	6,237.75
Western Union Telegraph Co., 5% Gold Bonds	10,000.00	9,655.00
Total Securities of Other Companies	$523,412.72	$473,133.11
COMPANY'S SECURITIES:		
Central R. R. Co. of N. J., 5% General Mortgage Gold Bonds	83,000.00	83,000.00
Central R. R. Co. of N. J., 4% General Mortgage Gold Bonds	10,000.00	10,000.00
Grand Total	$616,412.72	$566,133.11

SECURITIES OWNED

DECEMBER 31, 1939

STOCKS	Par Value	Book Value
Allentown Terminal R. R. Co.	A $ 225,000.00	$ 225,000.00
American Dock and Improvement Co.	B 30,000.00	1,000.00
Bay Shore Connecting R. R. Co.	27,900.00	27,900.00
Communipaw Central Land Co.	2,000.00	2,000.00
Dover and Rockaway R. R. Co.	C 75,000.00	79,000.00
Elizabethport and New York Ferry Co.	1,455.00	1,455.00
Easton and Western R. R. Co.	50,000.00	50,000.00
Edroyal Corporation	750,000.00	750,000.00
Hunter Run Water Co.	5,000.00	3,196.02
Jersey Central Transportation Co.	20,000.00	20,000.00
Manhattan Lighterage Co.	1,975.00	1.00
Mount Hope Mineral R. R. Co.	109,300.00	†
New York and Long Branch R. R. Co.	D 2,000,000.00	2,000,000.00
Newark Warehouse Co.	10,000.00	10,000.00
Ogden Mine R. R. Co.	418,800.00	283,408.46
Penn Haven Realty Co.	15,000.00	15,000.00
Railway Express Agency, Inc.	*	1,100.00
Wharton and Northern R. R. Co.	500,000.00	x 1,250,000.00
Total Affiliated Companies	$4,241,430.00	$4,719,060.48
Allentown Iron Co.	$ 124,800.00	$ 12,899.90
Bush Terminal Co. (Pref.)	200.00	200.00
Globe and Rutgers Fire Insurance Co. (Pref.)	6,135.00	40,900.00
Hudson River Day Line (Pref.)	*	1,600.00
Hudson River Day Line (Scrip Pref.)	*	50.00
Lakewood Trust Co.	350.00	546.70
Lehigh and Hudson River Ry. Co.	787,000.00	748,287.20
Munson Line, Inc. (Pref.)	*	250.00
Munson Line, Inc.	*	250.00
Munson Line, Inc. (Scrip)	*	75.00
Perth Amboy Trust Co. (Pref.)	70.00	280.00
Raritan River R. R. Co.	495,300.00	839,609.58
Sea Bright National Bank	100.00	150.00
Seydel Chemical Co. (Scrip)	15.02	1.00
The Central District, Inc.	10,000.00	1,152.00
United Fuel Service, Inc. (Pref.)	108.93	108.93
67th Floor Holding Corporation	100.00	800.00
Total Other Investments	$1,424,178.95	$1,647,160.31

* Without nominal or par value.

† Included in amount shown as book value of Wharton and Northern R. R. Co.

x Includes book value of Mount Hope Mineral R. R. Co.

A Pledged under General Mortgage	$ 225,000.00
B Pledged under General Mortgage	30,000.00
C Pledged under General Mortgage	45,000.00
D Pledged under General Mortgage	2,000,000.00
	$2,300,000.00

SECURITIES OWNED

DECEMBER 31, 1939

BONDS	Par Value	Book Value
Allentown Terminal R. R. Co., 4½%	$ 205,000.00	$ 205,000.00
Dover and Rockaway R. R. Co., 6%	35,000.00	35,000.00
New York & Long Branch R. R. Co., 4%	451,000.00	451,000.00
New York & Long Branch R. R. Co., 5%	269,000.00	269,000.00
Newark Warehouse Company, 6%	1,100,000.00	1,100,000.00
Reading Company General & Refunding 4½% Gold Bonds	3,148,400.00	2,947,021.44
Total Affiliated Companies	$5,208,400.00	$5,007,021.44
Hudson River Day Line, 6%	$ 550.00	$ 550.00
New York World's Fair, Inc., 4%	19,690.00	19,690.00
Philadelphia & Reading Coal & Iron Company Refunding Mortgage 5% Sinking Fund Gold Bonds	1,622,000.00	1,518,253.33
Republic of Poland, 4½%	100.00	100.00
Sea Coast R. R. Co., 5%	3,500.00	3,500.00
Street Railways Advertising Co., 4%	13,932.00	13,932.00
Thatcher Co., Cumulative Income Debenture 4%	586.84	586.84
The Central District, Inc., Secured Bonds 5%	157,000.00	157,000.00
The Central District, Inc., Income Debenture	2,500,000.00	286,848.00
U. S. Government Treasury Bonds 3⅛%	545,800.00	568,488.85
Total Other Investments	$4,863,158.84	$2,568,949.02
New York City Bonds, 4½%	A $ 3,000.00	$ 3,000.00
New York City Bonds, 4%	A 350.00	346.50
New York City Bonds, 4¼%	B 10,700.00	10,987.50
U. S. Government Treasury Bonds, 3⅜%	C 15,000.00	15,050.00
Total Insurance and Other Funds, not including Insurance Reserve Fund, (see folio 18)	$ 29,050.00	$ 29,384.00
SECURITIES ISSUED OR ASSUMED		
C. R. R. Co. of N. J. General Mortgage, 5%	$1,174,000.00	$1,174,000.00
NOTES AND MORTGAGES		
Edroyal Corporation, 4¼%	$ 250,000.00	$ 250,000.00
Edroyal Corporation, 4%	450,000.00	450,000.00
Penn Haven Realty Company, 6%	40,000.00	40,000.00
Total Affiliated Companies	$ 740,000.00	$ 740,000.00
NOTES		
The Central District, Inc., 5%	$ 69,462.58	$ 69,462.58
R. Hoe & Co 5%	385.09	385.09
New York World's Fair, Inc., 4%	339.73	339.73
Wilson Paper Stock Co., Inc.	2,850.00	2,850.00
Total Other Investments	$ 73,037.40	$ 73,037.40
MISCELLANEOUS (MORTGAGE)		
David Smith, 6%	$ 325.00	$ 325.00

A Deposited with the City of New York under Agreements	$ 3,350.00
B Deposited with the State of New York (State Industrial Commission)	10,000.00
B Deposited with the City of New York under Agreements	700.00
C Deposited with Federal Reserve Bank of New York under Agreements with U. S. Employees Compensation Commission	10,000.00
C Deposited with the State of New York (State Industrial Commission)	5,000.00

ADDITIONS AND BETTERMENTS

YEAR ENDED DECEMBER 31, 1939

ROAD OWNED AND LEASED:	Gross Capital Charges	Retirements	Net Capital Charges
Betterment of Rail and Improved Other Track Material (All Divisions)	$ 49,597.60		$ 49,597.60
Installation of fill to resurface mine cave-ins, Lehigh and Susquehanna Division	4,278.18		4,278.18
Improvement to salt meadow land by filling, Elizabethport, N. J.	10,536.80		10,536.80
Track facilities for the Glen Alden Coal Company's Huber Breaker, Ashley, Pa.	14,229.79	$ 4,728.05	9,501.74
Installation of sub-station, Jersey City, N. J.	9,329.87		9,329.87
Betterment of Bridge #173, Bergen Avenue, Jersey City, N. J.	10,579.98	3,586.80	6,993.18
Purchase of two cement unloaders, Jersey City, N. J.	12,653.74		12,653.74
Construction of Bridge 35/40, Raritan, N. J.	62,413.79	454.73	61,959.06
Elimination of Grade Crossing, Chatsworth, N. J.	22,512.79	2,920.00	19,592.79
Elimination of Grade Crossing, Wilson Avenue, Newark, N. J.	30,926.41	1,927.00	28,999.41
Construction of additional culvert #19/45, Westfield, N. J.	11,573.91		11,573.91
Retirements:			
Jersey City, N. J., Machines		4,752.00	*4,752.00*
Elizabethport, N. J., Buildings		36,197.29	*36,197.29*
Elizabethport, N. J., Tracks		24,281.87	*24,281.87*
Elizabethport, N. J., Water Tank		4,180.00	*4,180.00*
Newark, N. J., Land		21,346.00	*21,346.00*
Minotola, N. J., Tracks		4,173.42	*4,173.42*
Bridgeton, N. J., Tracks		34,338.44	*34,338.44*
Allentown, Pa., Aineyville Branch		29,272.67	*29,272.67*
Coalport, Pa., Water Tank		4,311.00	*4,311.00*
Ashley, Pa., Tracks		8,200.97	*8,200.97*
Miscellaneous	63,012.22	53,002.48	10,009.74
Total Road Owned and Leased	$301,645.08	$237,672.72	$ 63,972.36
EQUIPMENT:			
Acquisition of Ten Diesel Switching Locomotives	$626,262.73		$626,262.73
Additions and Betterments to Existing Equipment	73,180.90		73,180.90
Retired Equipment:			
Freight Train Cars		$ 3,456.52	*3,456.52*
Passenger Train Cars		269.84	*269.84*
Floating Equipment		82,375.98	*82,375.98*
Work Equipment		5,523.42	*5,523.42*
Miscellaneous Equipment		1,097.59	*1,097.59*
Total Equipment	$699,443.63	$92,723.35	$606,720.28
Grand Total	$1,001,088.71	$330,396.07	$670,692.64

Italics denote credits.

CLASSIFICATION OF TONNAGE

YEAR ENDED DECEMBER 31, 1939, COMPARED WITH PREVIOUS YEAR

COMMODITIES	1939		1938	
	Tons	Per Cent	Tons	Per Cent
Product of Agriculture	866,069	3.33	896,385	4.03
Animals and Products	321,455	1.23	312,487	1.40
Products of Mines	14,752,534	56.68	12,673,960	56.89
Products of Forests	530,069	2.04	458,854	2.06
Manufactures and Miscellaneous	9,125,845	35.06	7,523,600	33.77
Grand Total, Carload Traffic	25,595,972	98.34	21,865,286	98.15
All L. C. L. Freight	432,141	1.66	412,154	1.85
Grand Total, Carload and L. C. L. Traffic	26,028,113	100.00	22,277,440	100.00

OPERATING EXPENSES

YEAR ENDED DECEMBER 31, 1939, COMPARED WITH PREVIOUS YEAR

	1939	1938	Increase	Decrease
MAINTENANCE OF WAY AND STRUCTURES				
Superintendence	$ 191,889.78	$ 188,134.36	$ 3,755.42	
Roadway Maintenance	225,200.03	154,155.74	71,044.29	
Tunnels and Subways	8,058.13	8,192.51		$ 134.38
Bridges, Trestles and Culverts	68,518.43	59,104.36	9,414.07	
Ties	223,391.95	119,459.30	103,932.65	
Rails	115,657.30	40,461.47	75,195.83	
Other Track Material	274,006.47	109,682.72	164,323.75	
Ballast	40,746.30	8,754.88	31,991.42	
Track Laying and Surfacing	592,236.75	426,989.81	165,246.94	
Fences, Snowsheds, and Signs	5,335.71	5,042.88	292.83	
Station and Office Buildings	133,912.36	93,671.16	40,241.20	
Roadway Buildings	*778.31*	727.95		1,506.26
Water Stations	19,709.44	15,755.95	3,953.49	
Fuel Stations	17,941.45	10,781.39	7,160.06	
Shops	29,835.94	21,106.99	8,728.95	
Enginehouses	65,632.08	44,054.20	21,577.88	
Wharves and Docks	181,253.39	90,774.62	90,478.77	
Coal and Ore Wharves	40,055.20	35,889.04	4,166.16	
Telegraph and Telephone Lines	14,019.06	12,412.35	1,606.71	
Signals and Interlockers	269,223.96	229,984.96	39,239.00	
Power Plants	9,353.66	6,629.73	2,723.93	
Power Transmission Systems	13,056.89	9,400.01	3,656.88	
Miscellaneous Structures	221.14	18.92	202.22	
Roadway Machines	16,540.35	11,558.93	4,981.42	
Small Tools and Supplies	16,923.12	14,715.57	2,207.55	
Removing Snow, Ice and Sand	72,441.56	71,951.15	490.41	
Public Improvements—Maintenance	27,216.51	18,200.99	9,015.52	
Injuries to Persons	15,485.92	14,910.08	575.84	
Insurance	28,222.79	38,404.96		10,182.17
Stationery and Printing	2,423.77	2,879.44		455.67
Other Expenses	438.81	470.09		31.28
Maint'g Joint Tracks, Yards and Other Facilities, Dr.	256,664.67	172,420.27	84,244.40	
Maint'g Joint Tracks, Yards and Other Facilities, Cr.	*195,913.27*	*170,674.19*		25,239.08
Total	$2,778,921.34	$1,866,022.59	$ 912,898.75	
MAINTENANCE OF EQUIPMENT				
Superintendence	$ 222,805.69	$ 230,584.47		$ 7,778.78
Shop Machinery	53,200.48	40,320.12	$ 12,880.36	
Power Plant Machinery	76,062.83	76,637.81		574.98
Steam Locomotives—Repairs	2,102,546.44	1,861,688.91	240,857.53	
Other Locomotives—Repairs	9,488.73	9,523.76		35.03
Freight-Train Cars—Repairs	1,354,820.73	674,553.64	680,267.09	
Passenger-Train Cars—Repairs	397,684.51	289,247.72	108,436.79	
Floating Equipment—Repairs	700,806.20	401,435.10	299,371.10	
Work Equipment—Repairs	67,989.33	37,552.50	30,436.83	
Miscellaneous Equipment—Repairs	3,795.45	1,125.38	2,670.07	
Equipment—Retirements	23,332.65	3,730.65	19,602.00	
Equipment—Depreciation	1,402,545.64	1,413,202.82		10,657.18
Injuries to Persons	23,573.47	28,081.36		4,507.89
Insurance	29,487.82	34,024.27		4,536.45
Stationery and Printing	10,580.03	10,034.40	545.63	
Other Expenses	1,762.87	1,233.68	529.19	
Maintaining Joint Equipment—Dr.	4,638.36	3,639.09	999.27	
Maintaining Joint Equipment—Cr.	*95,585.92*	*74,554.54*		21,031.38
Total	$6,389,535.31	$5,042,061.14	$1,347,474.17	

Italics denote credits.

OPERATING EXPENSES—Continued

YEAR ENDED DECEMBER 31, 1939, COMPARED WITH PREVIOUS YEAR

	1939	1938	Increase	Decrease
TRAFFIC EXPENSES				
Superintendence	$ 225,242.48	$ 235,840.94		$10,598.46
Outside Agencies	202,432.11	204,424.54		1,992.43
Advertising	77,400.10	81,418.75		4,018.65
Traffic Associations	19,280.50	20,025.80		745.30
Insurance	237.43	307.90		70.47
Stationery and Printing	33,599.26	41,584.95		7,985.69
Other Expenses	39.31	82.33		43.02
Total	$ 558,231.19	$ 583,685.21		$25,454.02
TRANSPORTATION—RAIL LINE				
Superintendence	$ 269,908.60	$ 278,354.92		$ 8,446.32
Dispatching Trains	77,860.40	78,122.23		261.83
Station Employees	1,669,739.67	1,627,560.32	$ 42,179.35	
Weighing, Inspection and Demurrage Bureaus	16,776.42	15,869.65	906.77	
Coal and Ore Wharves	180,058.73	164,901.59	15,157.14	
Station Supplies and Expenses	154,344.37	139,642.91	14,701.46	
Yardmasters and Yard Clerks	323,279.37	324,653.93		1,374.56
Yard Conductors and Brakemen	1,019,817.08	941,101.08	78,716.00	
Yard Switch and Signal Tenders	50,951.94	48,043.08	2,908.86	
Yard Enginemen	528,841.80	622,899.61		94,057.81
Yard Motormen	144,763.67	4,755.39	140,008.28	
Yard Switching Fuel	331,413.07	355,741.49		24,328.42
Water for Yard Locomotives	36,168.48	45,031.27		8,862.79
Lubricants for Yard Locomotives	6,742.68	4,661.48	2,081.20	
Other Supplies for Yard Locomotives	4,238.05	3,828.59	409.46	
Enginehouse Expenses—Yard	114,513.64	137,543.13		23,029.49
Yard Supplies and Expenses	25,735.94	25,614.51	121.43	
Operating Joint Yards and Terminals—Dr.	58,667.62	56,902.58	1,765.04	
Operating Joint Yards and Terminals—Cr.	*596,902.25*	*572,640.22*		24,262.03
Train Enginemen	1,379,803.41	1,312,614.61	67,188.80	
Train Fuel	2,057,957.77	1,909,717.98	148,239.79	
Water for Train Locomotives	210,680.64	199,329.96	11,350.68	
Lubricants for Train Locomotives	40,675.43	34,702.00	5,973.43	
Other Supplies for Train Locomotives	20,012.23	16,518.85	3,493.38	
Enginehouse Expenses—Train	497,935.66	446,733.73	51,201.93	
Trainmen	1,383,220.84	1,336,170.45	47,050.39	
Train Supplies and Expenses	632,253.81	610,445.17	21,808.64	
Signal and Interlocker Operation	398,283.54	399,145.96		862.42
Crossing Protection	244,435.91	265,563.37		21,127.46
Drawbridge Operation	36,854.17	37,475.81		621.64
Telegraph and Telephone—Operation	51,908.07	51,431.27	476.80	
Operating Floating Equipment	1,546,984.00	1,513,545.76	33,438.24	
Stationery and Printing	41,317.91	42,060.98		743.07
Other Expenses	6,221.53	6,287.59		66.06
Operating Joint Tracks and Facilities—Dr.	325,405.61	325,233.21	172.40	
Operating Joint Tracks and Facilities—Cr.	*85,127.03*	*88,789.08*	3,662.05	
Insurance	30,820.70	43,096.50		12,275.80
Clearing Wrecks	13,820.22	10,327.76	3,492.46	
Damage to Property	33,736.32	37,904.55		4,168.23
Damage to Live Stock on Right of Way		10.02		10.02
Loss and Damage—Freight	80,425.20	77,944.84	2,480.36	
Loss and Damage—Baggage	139.26	17.16	122.10	
Injuries to Persons	173,327.93	250,309.23		76,981.30
Total	$13,538,012.41	$13,140,385.22	$397,627.19	

Italics denote credits.

OPERATING EXPENSES—Continued

YEAR ENDED DECEMBER 31, 1939, COMPARED WITH PREVIOUS YEAR

	1939	1938	Increase	Decrease
MISCELLANEOUS OPERATIONS				
Dining and Buffet Service	$ 103,383.89	$ 119,004.22		$15,620.33
Hotels and Restaurants	121,700.17	124,003.75		2,303.58
Total	$ 225,084.06	$ 243,007.97		$17,923.91
GENERAL EXPENSES				
Salaries and Expenses of General Officers	$ 118,422.19	$ 128,813.61		$10,391.42
Salaries and Expenses of Clerks and Attendants	414,390.87	429,660.98		15,270.11
General Office Supplies and Expenses	35,165.28	34,461.97	$ 703.31	
Law Expenses	169,111.05	132,216.14	36,894.91	
Insurance	506.51	581.37		74.86
Pensions	41,060.57	49,951.07		8,890.50
Stationery and Printing	14,268.17	13,563.88	704.29	
Valuation Expenses	1,714.32	3,580.28		1,865.96
Other Expenses	80,702.01	54,031.19	26,670.82	
General Joint Facilities—Dr.	10,618.72	11,619.74		1,001.02
General Joint Facilities—Cr.	*11,691.44*	*13,178.49*	1,487.05	
Total	$ 874,268.25	$ 845,301.74	$ 28,966.51	
Transportation for Investment—Cr.	*$214.19*	*$447.95*	$233.76	
Grand Total	$24,363,838.37	$21,720,015.92	$2,643,822.45	

Italics denote credits.

TRANSPORTATION STATISTICS

YEAR ENDED DECEMBER 31, 1939, COMPARED WITH PREVIOUS YEAR

	1939	1938	Increase	Decrease
Miles of road operated	710.04	711.80		1.76
Train Miles:				
Freight—ordinary	1,757,264	1,585,042	172,222	
Freight—light	103,230	94,682	8,548	
Freight—total	1,860,494	1,679,724	180,770	
Passenger	3,211,882	3,269,069		57,187
Total transportation service	5,072,376	4,948,793	123,583	
Work service	86,106	82,151	3,955	
Locomotive Miles:				
Freight—principal	1,860,494	1,679,724	180,770	
Freight—helper	255,407	236,534	18,873	
Freight—light	398,181	368,565	29,616	
Freight—total	2,514,082	2,284,823	229,259	
Passenger—principal	3,211,882	3,269,069		57,187
Passenger—helper	5,462	5,534		72
Passenger—light	204,456	197,964	6,492	
Passenger—total	3,421,800	3,472,567		50,767
Train switching	751,378	677,528	73,850	
Yard switching—freight	1,821,870	1,651,044	170,826	
Yard switching—passenger	293,340	292,080	1,260	
Yard switching—total	2,115,210	1,943,124	172,086	
Total transportation service	8,802,470	8,378,042	424,428	
Work service	118,098	105,865	12,233	
Car Miles:				
Freight train—loaded	59,763,712	53,140,682	6,623,030	
Freight train—empty	37,868,747	35,462,932	2,405,815	
Freight train—loaded and empty	97,632,459	88,603,614	9,028,845	
Freight train—caboose	1,894,398	1,707,407	186,991	
Freight train—total	99,526,857	90,311,021	9,215,836	

TRANSPORTATION STATISTICS—Continued

YEAR ENDED DECEMBER 31, 1939, COMPARED WITH PREVIOUS YEAR

Car Miles—Continued:	1939	1938	Increase	Decrease
Passenger train—passenger coaches	10,913,631	11,097,595		183,964
Passenger train—sleeping and parlor cars	461,991	488,629		26,638
Passenger train—club, lounge, dining and observation cars	694,868	685,824	9,044	
Passenger train—business cars	18,591	17,606	985	
Passenger train—mail, express and baggage cars, and combination cars other than passenger	2,280,015	2,348,409		68,394
Passenger train—combination passenger cars (mail, express or baggage with passenger)	1,990,125	2,065,619		75,494
Passenger train—total	16,359,221	16,703,682		344,461
Total transportation service	115,886,078	107,014,703	8,871,375	
Work service	157,918	175,218		17,300
Freight Traffic:				
*Revenue per mile of road	$39,478.81	$33,371.78	$6,107.03	
Revenue per ton	1.03088	1.01661	.01427	
Revenue per train mile	14.42	13.48	.94	
Revenue per ton per mile	.01397	.01351	.00046	
Number of tons per train mile—all freight	1,079.40	1,045.70	33.70	
Number of tons per train mile—revenue freight	1,032.43	997.73	34.70	
Number of tons per loaded car mile—revenue freight	32.14	31.54	.60	
Number of cars per train mile—loaded	32.12	31.63	.49	
Number of cars per train mile—empty	20.35	21.11		.76
Number of cars per train mile—all	52.47	52.74		.27
Distance each ton was carried, (miles)	73.80	75.24		1.44
Tons carried—revenue freight, Anthracite	7,202,067	6,061,572	1,140,495	
Tons carried—revenue freight, Bituminous	4,961,350	4,542,204	419,146	
Tons carried—revenue freight, Merchandise	13,864,696	11,673,664	2,191,032	
Total tons carried—revenue freight	26,028,113	22,277,440	3,750,673	
Tons carried one mile—revenue freight	1,920,951,737	1,676,237,501	244,714,236	
Passenger Traffic:				
†Revenue service train per mile of road	$11,540.76	$11,521.96	$18.80	
Revenue per passenger	.25199	.25310		$ .00111
Revenue per train mile	1.62	1.58	.04	
Revenue per passenger per mile	.01265	.01259	.00006	
Number of passengers per train mile	108.76	109.56		.80
Number of passengers per car mile	28.24	28.38		.14
Number of cars per train mile	5.07	5.09		.02
Distance each passenger was carried (miles)	19.91	20.11		.20
Passengers carried	17,543,461	17,810,446		266,985
Passengers carried one mile	349,334,442	358,170,725		8,836,283
Total operating revenue per average mile of road	$47,200.69	$41,215.14	$5,985.55	
Total operating revenue per train mile	6.61	5.91	.70	
Operating expenses per average mile of road	34,279.54	30,603.21	3,676.33	
Operating expenses per train mile	4.80	4.39	.41	

* Average miles of road operated in freight service used in computing this average.

† Average miles of road operated in passenger service used in computing this average.

RATIOS

YEAR ENDED DECEMBER 31, 1939, COMPARED WITH PREVIOUS YEAR

	1939	1938	Increase	Decrease
Ratio of each class of Operating Revenues to Total Operating Revenues:				
	%	%	%	%
Freight	79.98	77.42	02.56	
Passenger	13.18	15.41		02.23
Mail and Express	02.03	01.98	00.05	
Other Transportation	01.94	02.09		00.15
Other than Transportation	02.83	03.06		00.23
Joint Facility—Credit	00.04	00.05		00.01
Joint Facility—Debit	00.00	*00.01*	00.01	
Total	100.00	100.00		
Ratio of each class of Operating Expenses to Total Operating Expenses:				
Maintenance of Way and Structures	11.40	08.59	02.81	
Maintenance of Equipment	26.23	23.21	03.02	
Traffic	02.29	02.69		00.40
Transportation	55.57	60.50		04.93
Miscellaneous Operations	00.92	01.12		00.20
General	03.59	03.89		00.30
Transportation for Investment—Credit	00.00	00.00		
Total	100.00	100.00		
Ratio of each class of Operating Expenses to Total Operating Revenues:				
Maintenance of Way and Structures	08.28	06.38	01.90	
Maintenance of Equipment	19.05	17.24	01.81	
Traffic	01.67	02.00		00.33
Transportation	40.35	44.91		04.56
Miscellaneous Operations	00.67	00.83		00.16
General	02.61	02.89		00.28
Transportation for Investment—Credit	00.00	00.00		
Total	72.63	74.25		01.62

EQUIPMENT

DECEMBER 31, 1939, COMPARED WITH PREVIOUS YEAR

Description	*Owned Dec. 31, 1938	Added by Construction or Purchase	Condemned, Destroyed or Sold	Transferred		*Owned Dec. 31, 1939
				Additions	Deductions	
Locomotives:						
Passenger	127					127
Freight	138					138
Switch	122					122
Switch Oil Electric	5	6				11
Total Locomotives	392	6				398
Cars:						
Passenger Train:						
Coaches	473					473
Combination Passenger	76					76
Other Combination	15					15
Dining	4					4
Baggage and Express	57					57
Club	3					3
Total	628					628
Freight—Train:						
Box Cars	2,963		2			2,961
Automobile Cars	200					200
Flat Cars	66					66
Stock Cars	49					49
Coal Cars	6,105		1			6,104
Refrigerator Cars	38					38
Container Cars	21					21
Cement Cars	40					40
Other Freight Train Cars	2,611					2,611
Caboose Cars	124					124
Poling Cars	7					7
Total	12,224		3			12,221
Work Equipment:						
Cinder Cars	14					14
Business Cars	2					2
Locomotive Cranes	24					24
Pile Drivers	1					1
Work Cars	129		1			128
Total	170		1			169
Total Cars	13,022		4			13,018
In Marine Service:						
Steamboats	2					2
Ferryboats	10					10
Tugboats	11					11
Steam Lighters	5					5
Other Lighters	33					33
Covered Barges	34					34
Car Floats	20		2			18
Water Pile Drivers	2					2
Launch	1					1
Catamaran	1					1
Total	119		2			117

* Includes Equipment under Trust, and on deferred plan of purchase.

LOCOMOTIVE AND FREIGHT CAR CAPACITY

DECEMBER 31, 1939, COMPARED WITH PREVIOUS YEAR

LOCOMOTIVES

Type	December 31, 1938				Added	Retired	December 31, 1939			
	Number	Average Weight (Tons)		Average Tractive Power			Number	Average Weight (Tons)		Average Tractive Power
		Total	On Drivers					Total	On Drivers	
4 Wheel Switch......	1	56.2	56.2	22,272			1	56.2	56.2	22,272
6 Wheel Switch.....	66	76.8	76.8	34,520			66	76.8	76.8	34,520
8 Wheel Switch.....	55	122.0	122.0	57,111			55	122.0	122.0	57,111
Oil Electric Switch...	5	91.6	91.6	58,536	6		11	97.3	97.3	57,273
10-Wheeler.........	84	104.1	79.6	34,164			84	104.1	79.6	34,164
12-Wheeler.........	29	111.9	85.8	39,564			29	111.9	85.8	39,564
Suburban...........	21	115.4	72.5	25,076			21	115.4	72.5	25,076
Consolidation.......	17	112.8	100.3	40,857			17	112.8	100.3	40,857
Atlantic............	7	108.4	63.5	28,811			7	108.4	63.5	28,811
Pacific.............	21	158.8	98.6	45,979			21	158.8	98.6	45,979
Mikado	86	169.0	125.5	62,949			86	169.0	125.5	62,949
Total..........	392	47,250.4	37,998.3	17,553,523	6		398	47,862.6	38,610.5	17,890,843
Average........		120.5	96.9	44,779				120.3	97.0	44,952

FREIGHT CARS

Type	Number Dec. 31, 1938	Added	Retired	Number Dec. 31, 1939	Capacity (Tons)	
					Dec. 31, 1938	Dec. 31, 1939
Box..	2,963		2	2,961	130,060	129,980
Automobile..	200			200	10,000	10,000
Flat..	66			66	2,640	2,640
Stock..	49			49	1,470	1,470
Coal..	6,105		1	6,104	322,605	322,555
Refrigerator..	38			38	1,460	1,460
Container Cars.....................................	21			21	1,040	1,040
Cement Cars..	40			40	2,200	2,200
Other Freight Train Cars..........................	2,611			2,611	133,895	*134,565
Total..	†12,093		3	†12,090	605,370	605,910

† Does not include Caboose or Poling Cars.

* Capacity changed on Gondola Cars.

MILEAGE OF TRACKS, DECEMBER 31, 1939.

Name of Road or Track (1)	Termini between which Road named extends (2)	Miles of Road (3)	Miles of Second Main Track (4)	Miles of Third Main Track (5)	Miles of Fourth Main Track (6)	Miles of all other Main Track (7)	Miles of Industrial Tracks (8)	Miles of Yard Track and Sidings (9)	Total (10)
	LINES OWNED								
CENTRAL DIVISION									
Main Line:	Jersey City, N. J., to Phillipsburg, N. J.	72.28	72.28	39.48	39.31	20.35	15.64	307.03	566.37
Branches									
Conn. with B. & N. Y. R. R.	Cranford Junction, N. J.	.07	.05						.12
Conn. with D. & B. B. R. R.	Bound Brook Junction, N. J.	.09	.09						.18
Conn. with M. & E. R. R.	Hampton, N. J.	.02							.02
Conn. with M. & E. R. R.	Phillipsburg, N. J.	.11							.11
Bayonne Port Terminal	E. 33rd St., Bayonne, N. J., to Terminus	1.62					.04		1.66
Constable's Hook Branch, N. J.	E. 22nd St., Bayonne, N. J., to Constable's Hook, N. J.	1.92					1.11	3.98	7.01
Conn. with E. J. R. R. & T.	Constable's Hook Branch to E. J. R. R. & T.	.04							.04
Ave. A. Branch	Ave. A, Bayonne, N. J., to W. First St.	.62					.27	.26	1.15
W. 2nd St. Branch	Ave. A, Bayonne, N. J., to Ave. C.	.60					.36		.96
Middle Brook Branch	Middle Brook, N. J., to Chimney Rock, N. J.	1.99					1.26	.76	4.01
Johns-Manville Branch	Manville, N. J., to Terminus	.82							.82
Ingersoll Branch	Phillipsburg, N. J., to Terminus	.70							.70
Newark Branch:	Communipaw, N. J., to Newark, N. J.	6.19	6.19	.22	.14	.54	5.48	17.17	35.93
Lafayette Branch	Pacific Ave. to Terminus	.66					.15	1.29	2.10
West Side Branch	West Side Ave. to Danforth Ave.	.88					1.03	1.64	3.55
Bay Shore Branch No. 1	Newark Branch to Bay Shore Conn. R. R.	.24						.01	.25
Passaic River Branch	Newark Branch to Terminus	.69					.27	1.01	1.97
Manufacturers Branch	Brills Junction to Passaic River	1.14					.99	4.87	7.00
Manufacturers Ext. Branch	Albert Ave. to Terminus	1.13					.91	1.66	3.70
Feigenspan Branch	Manufacturers Branch to Terminus	.37					.09		.46
Newark & Elizabeth Branch:	Brills Junction to Elizabethport, N. J.	5.71	5.61			.37	.73	34.50	46.92
Brills Branch	Newark Transfer to Oak Island Junction, N. J.	1.52	1.46						2.98
Elizabeth Extension Branch	Great Island Junction to Terminus	1.61					.34	2.95	4.90
Conn. with Perth Amboy Branch	Elizabethport, N. J.	.20	.12						.32
Perth Amboy Branch:	Elizabethport, N. J., to Perth Amboy, N. J.	12.76	12.67	2.04	1.72	.70	2.16	13.97	46.02
Conn. with N. & E. Branch	Elizabethport, N. J.	.16							.16
Raritan N. Shore Branch	Perth Amboy, N. J., to Raritan Brick Works	1.74					.75	.93	3.42
Linden Branch	Tremley, N. J., to Route 25	1.55						.52	2.07
Mather Branch	Linden Branch to Stiles St.	.62							.62
Elizabeth Loop Line:	Elizabeth, N. J., to Elizabethport Docks	2.79					1.89	13.91	18.59
Sound Shore Branch:	Bayway, N. J., to Chrome, N. J.	5.86	.94				.96	3.31	11.07
Bayway Branch	Bayway, N. J., to Elizabeth River, N. J.	.78					1.14	.62	2.54
Tremley Branch	Tremley, N. J., to Tremley Point, N. J.	.95						.64	1.59
Carteret Branch	Williams & Clark to West Carteret, N. J.	1.26					1.15	.16	2.57
Reformatory Branch	Williams & Clark to Reformatory	4.69					2.52	3.12	10.33
South Branch:	Somerville, N. J., to Flemington, N. J.	15.70					.49	2.17	18.36

MILEAGE OF TRACKS, DECEMBER 31, 1939—Continued

Name of Road or Track	Termini between which Road named extends	Miles of Road	Miles of Second Main Track	Miles of Third Main Track	Miles of Fourth Main Track	Miles of all other Main Track	Miles of Industrial Tracks	Miles of Yard Track and Sidings	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
LINES OWNED (Continued)									
CENTRAL DIVISION—Continued									
BRANCHES									
HIGH BRIDGE BRANCH:	High Bridge, N. J., to Wharton, N. J.	25.45					2.18	10.62	38.25
Chester Branch	Long Valley, N. J., to Chester, N. J.	4.48					.09	.17	4.74
Lake Hopatcong Branch	Hopatcong Junction to Lake Hopatcong, N. J.	5.35					.20	1.40	6.95
Hibernia Mine Branch	Rockaway, N. J., to Hibernia, N. J.	4.28					.92	1.49	6.69
BRONX TERMINAL:	New York, N. Y.							2.03	2.03
SOUTHERN DIVISION									
MAIN LINE:	Red Bank, N. J., to Greenwich, N. J.	101.18	.55			.07	3.81	33.66	139.27
BRANCHES									
Belford Branch	Belford, N. J., to Red Bank, N. J.	.83					.31	.27	1.41
Deerfield Branch	Bridgeton, N. J., to Deerfield, N. J.	4.18				.28		1.28	5.74
Conn. with W. J. & S. S. R. R.	Deerfield Branch to W. J. & S. S. R. R.	1.22							1.22
Bridgeton Branch	Main Line to Bridgeton Station, N. J.	.26							.26
Vineland Branch	Bowentown, N. J., to Bridgeton, N. J.	3.65					.22	1.01	4.88
Buena Vista Branch	Greenwich, N. J., to Greenwich Pier, N. J.	1.03						.19	1.22
FREEHOLD BRANCH:	Matawan Crossing, N. Y. & L. B. R. R. to Freehold, N. J.	12.22					.83	5.97	19.02
Conn. with N. Y. & L. B. R. R.	Matawan, N. J.	.31							.31
"Y" Connection with N. Y. & L. B. R. R.	Matawan Crossing	.04							.04
SEA SHORE BRANCH:	Matawan Crossing, N. Y. & L. B. R. R. to Eatontown, N. J.	25.44	9.54			.39	2.36	9.63	47.36
"Y" Connection with N. Y. & L. B. R. R.	Matawan Crossing	.04							.04
"Y" Connection with Belford Branch	Belford, N. J.	.16						.53	.69
Navesink Branch	Sea Shore Br. to Atlantic Highlands Pier, N. J.	.45	.25						.70
"Y" Connection	Navesink Branch to Sea Shore Branch	.22	.22						.44
Highland Beach Branch	Highland Beach, N. J., to U. S. Proving Grounds	.34							.34
West End Branch	East Long Branch, N. J., to West End, N. J.	1.67	1.67				.02	.57	3.93
BARNEGAT BRANCH:	Lakehurst, N. J., to Barnegat, N. J.	22.29					.60	1.43	24.32
CUMBERLAND & MAURICE RIVER BR.:	Bridgeton Junction to Bivalve, N. J.	22.36					1.52	4.54	28.42
LEHIGH AND SUSQUEHANNA DIVISION									
NANTICOKE EXTENSION BRANCH:	Lee, Pa., to Conn. with P. R. R. at West End Breaker	1.69						.03	1.72
	Total Owned	389.22	111.64	41.74	41.17	22.70	52.79	491.30	1150.56

MILEAGE OF TRACKS, DECEMBER 31, 1939—Continued

Name of Road or Track (1)	Termini between which Road named extends (2)	Miles of Road (3)	Miles of Second Main Track (4)	Miles of Third Main Track (5)	Miles of Fourth Main Track (6)	Miles of all other Main Track (7)	Miles of Industrial Tracks (8)	Miles of Yard Track and Sidings (9)	Total (10)
CONTROLLED AND OPERATED BY OWNERSHIP OF CAPITAL STOCK OR BY AGREEMENTS									
LINES LOCATED IN NEW JERSEY									
Bay Shore Conn. Railroad	Newark Branch to Lehigh Valley R. R.	1.10					.94	.65	2.69
Dover & Rockaway R. R.	Wharton, N. J., to Rockaway, N. J.	4.54					1.70	2.04	8.28
Ogden Mine R. R.	Lake Hopatcong, N. J., to Edison, N. J.	9.69					.07	1.26	11.02
LINES LOCATED IN PENNSYLVANIA									
Easton & Western R. R.	E. & W. Junction, Pa., to Easton, Pa.	4.36					.17		4.53
Conn. with Lehigh Valley R. R.	Easton, Pa. (wholly owned by E. & W.)	.07							.07
Conn. with Lehigh Valley R. R.	Easton, Pa. (owned jointly and equally with L. V. R. R.)	.12						.07	.19
Lehigh & Susquehanna R. R.	Phillipsburg, N. J., to Union Junction, Pa.	105.14	91.78	3.73	1.07	2.69	16.08	155.47	375.96
Conn. with Lehigh & Hudson River R.R.	Easton, Pa.	.02							.02
Conn. with Easton & Western R. R.	Easton & Western Jct., Pa.	.04							.04
Minsi Trail Branch	Bethlehem, Pa., to Terminus	.99					.05	.18	1.22
North Penn. Conn.	Bethlehem Jct., Pa., to So. Bethlehem, Pa.	.33							.33
Conn. with Lehigh & New England R.R.	Bethlehem Jct., Pa.	.21							.21
Conn. with Allentown Terminal R.R.	East of Allentown, Pa.	.03	.05						.08
Conn. with Allentown Terminal R.R.	West of Allentown, Pa.	.06							.06
Carbon Branch	L. & S. R. R. to Terminus	.50							.50
Coplay Branch	Northampton, Pa., to Hokendauqua, Pa.	.54					.35	.34	1.23
Standard Cement Branch	Northampton, Pa., to Standard Cement Works	.56					5.45		6.01
Allen Cement Branch	L. & S. R. R. to Allen Cement Works	.77					.24		1.01
Conn. with Nesquehoning Valley R.R.	Nesquehoning Jct., Pa.	.16	.17			.04			.37
Conn. with Franklin Branch	Franklin Jct., Pa.	.02							.02
Upper Lehigh Branch	Upper Lehigh Jct., Pa., to Upper Lehigh, Pa.	9.04					.13	1.67	10.84
Sandy Run Branch	Pond Creek Junction, Pa., to Sandy Run, Pa.	2.59					.92	.69	4.20
Quarry Branch	L. & S. R. R. to Terminus	.56						.04	.60
Ashley Planes Branch	Solomons Gap, Pa., to Ashley, Pa.	2.70	2.50					.40	5.60
Buttonwood Branch	Franklin Junction, Pa., to Buttonwood, Pa.	2.11					2.02	.69	4.82
Franklin Branch	Franklin Junction, Pa., to Nanticoke Branch	1.05						.30	1.35
Nanticoke Branch	Gardners Switch, Pa., to Lee, Pa.	17.05					7.59	20.39	45.03
"Y" Connection	Nanticoke Branch to Ashley Planes	.36							.36
Leemine Branch	Leemine, Pa., to Nanticoke, Pa.	2.11					.17		2.28
Wanamie Spur Branch	Wanamie, Pa.	.68							.68
Canal Branch	Miners Mills, Pa., to Plains Jct., Pa.	5.06					.05	.32	5.43
Everhart Branch	Union Jct., Pa., to Everhart, Pa.	3.07					.11	.06	3.24
Nesquehoning Valley R. R.	Nesquehoning Jct., Pa., to Tamanend, Pa.	16.60	7.82			.30	.15	13.37	38.24
Conn. with L. & N. E. R. R.	Hauto, Pa.	.03							.03
Conn. with Reading Co.	Haucks, Pa.	.07							.07
Tresckow R. R.	Silver Brook, Pa., to Beaver Brook, Pa.	8.57					1.54	2.24	12.35
"Y" Connection with Reading Co.	Silver Brook, Pa.	.12							.12
Wilkes-Barre & Scranton Ry.	Minooka Jct., Pa., to Scranton, Pa.	4.25	.76			.04	1.05	7.33	13.43
Total controlled and operated by ownership of capital stock or by agreements		205.27	103.08	3.73	1.07	3.07	38.78	207.51	562.51

MILEAGE OF TRACKS, DECEMBER 31, 1939—Continued

Name of Road or Track (1)	Termini between which Road named extends (2)	Miles of Road (3)	Miles of Second Main Track (4)	Miles of Third Main Track (5)	Miles of Fourth Main Track (6)	Miles of all other Main Track (7)	Miles of Industrial Tracks (8)	Miles of Yard Track and Sidings (9)	Total (10)
	TRACKAGE RIGHTS								
New York & Long Branch R. R.	Perth Amboy, N. J., to Bay Head Jct., N. J.	37.80	37.73			.78	6.61	33.55	116.47
Conn. with Raritan River R. R.	South Amboy, N. J.	.10							.10
Conn. with Freehold Branch	Matawan Station, N. J.	.10							.10
"Y" Connections	Matawan Crossing	.08							.08
Conn. with Southern Division M. L.	Red Bank, N. J.	.03	.01						.04
Conn. with West End Branch	West End, N. J.	.05	.05						.10
Point Pleasant Loop Track	Conn. in S. B. Main Track to Conn. in N. B. Main Track	1.29							1.29
Delaware & Hudson R. R.	South Wilkes-Barre, Pa., to Plymouth Jct., Pa.	1.93				.62	.29	2.51	5.35
Delaware & Hudson R. R.	Hudson, Pa., to Union Jct., Pa.		1.50						1.50
Delaware & Hudson R. R.	Union Jct., Pa., to Minooka Jct., Pa.	9.66	9.66						19.32
Delaware, Lackawanna & Western R. R.	Plymouth Jct., Pa., to Nottingham Colliery, Pa.	1.67	1.63				.07	.11	3.48
Erie & Wyoming Valley R. R.	Plains Jct., Pa., to Exchange Siding, Pa.	.28							.28
Lehigh & New England R. R.	Hauto, Pa., to Greenwood Jct., Pa.	6.00							6.00
Lehigh & New England R. R.	Catasauqua, Pa., Trackage to Davies & Thomas Plant						.19		.19
Lehigh & New England R. R.	Hauto, Pa., Nesq. Coll. to Storage Yard							4.21	4.21
Lehigh Valley R. R.	Claremont, N. J., to National Junction, N. J.	1.85	1.49						3.34
Lehigh Valley R. R.	Mineral Spring Br., M. P. 178.07 to M. P. 178.41							.34	.34
National Docks R. R.	Constable Hook Br., N. J., to Standard Oil Co.	.40	.11				.27		.78
Pennsylvania-Reading Seashore Lines	Winslow Jct., N. J., to Atlantic City, N. J.	31.09	30.47					.06	61.62
Pennsylvania R. R.	Conn. at West End Breaker	.33							.33
Reading Co.	Greenwood Junction, Pa., to Tamaqua, Pa.	1.16							1.16
Reading Co.	Tamaqua, Pa., to Kaska William, Pa.	9.66							9.66
Reading Co.	Tamanend, Pa., to Silver Brook, Pa.	5.38							5.38
N. Y. C. R. R.	National Jct., N. J., to Willow Ave., Hoboken, N. J.	3.00							3.00
Allentown Terminal R. R.	L. & S. R. R. east of Allentown, Pa., to L. & S. R. R. west of Allentown, Pa.	2.75	2.56			.39	1.48	5.22	12.40
"Y" Branches	Connecting with East Penna. R. R., Allentown, Pa.	.59	.59						1.18
Barb Wire Branch	A. T. R. R. to Iowa Barb Wire Works	.35					.09	.19	.63
	Total Trackage Rights	115.55	85.80			1.79	9.00	46.19	258.33
	Grand Total	710.04	300.52	45.47	42.24	27.56	100.57	745.00	1971.40

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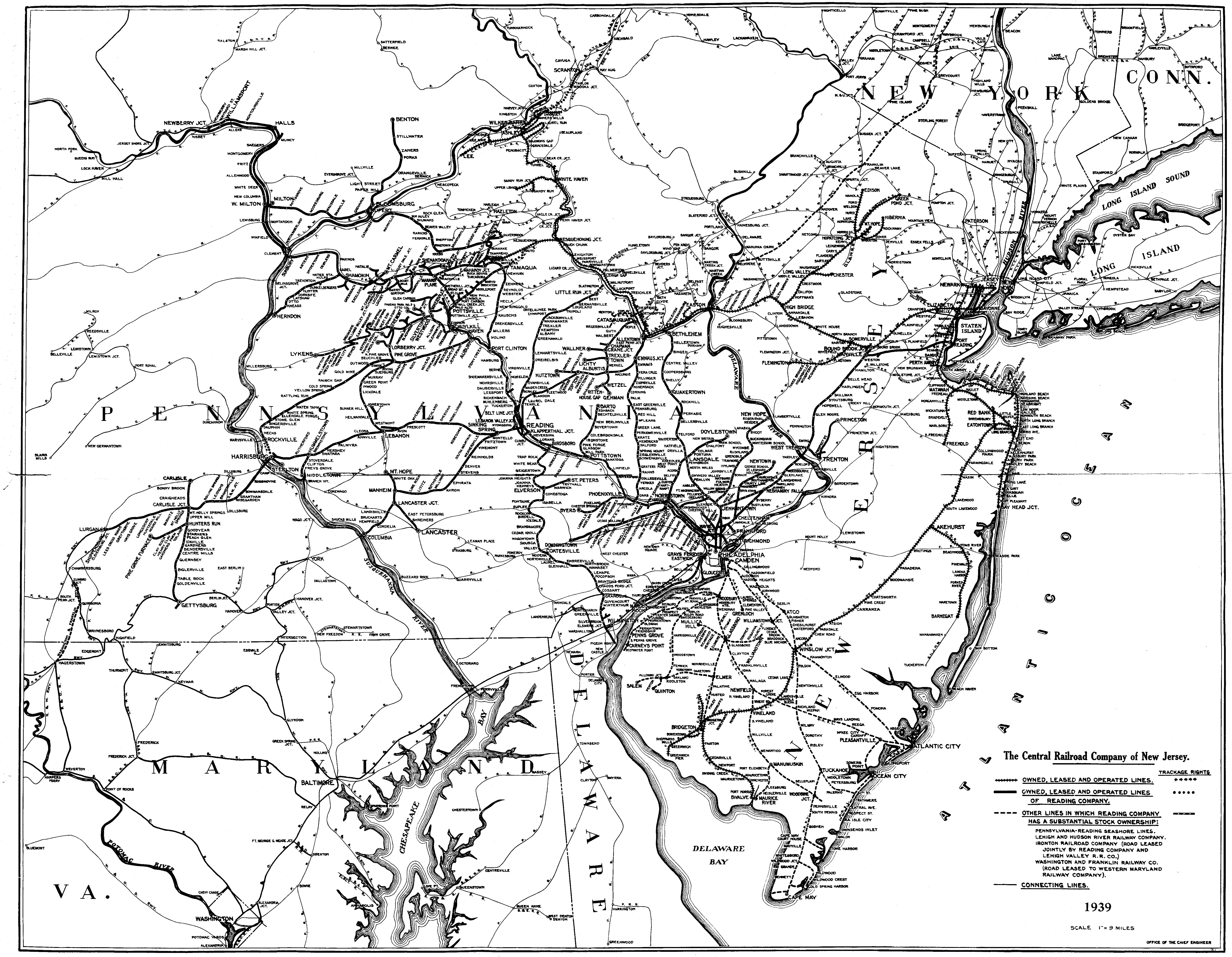
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- - - - OTHER LINES IN WHICH READING COMPANY HAS A SUBSTANTIAL STOCK OWNERSHIP: ▬

PENNSYLVANIA-READING SEASHORE LINES.
LEHIGH AND HUDSON RIVER RAILWAY COMPANY.
IRONTON RAILROAD COMPANY (ROAD LEASED JOINTLY BY READING COMPANY AND LEHIGH VALLEY R.R. CO.)
WASHINGTON AND FRANKLIN RAILWAY CO. (ROAD LEASED TO WESTERN MARYLAND RAILWAY COMPANY).

—— CONNECTING LINES.

1939

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